

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE EASTERN DISTRICT OF TEXAS
 TYLER DIVISION
3 MIRROR WORLDS, LLC)
) DOCKET NO. 6:08cv88
4)
 -vs-)
5) Tyler, Texas
) 9:00 a.m.
6 APPLE, INC.) December 9, 2010

7
8 TRANSCRIPT OF POST-VERDICT MOTION HEARING
9 BEFORE THE HONORABLE LEONARD DAVIS,
 UNITED STATES DISTRICT JUDGE

10 A P P E A R A N C E S

11
12 FOR THE PLAINTIFF: MR. JOSEPH DIAMANTE
 MR. KENNETH L. STEIN
13 MR. IAN DIBERNARDO
 MR. ALEXANDER SOLO
14 STROOCK & STROOCK & LAVAN
 180 Maiden Lane
15 New York, NY 10038-4982

16 MR. OTIS CARROLL
 MR. PATRICK KELLEY
17 MS. DEBORAH RACE
 IRELAND, CARROLL & KELLEY
18 6101 S. Broadway; Ste. 500
 Tyler, Texas 75703

19
20
21 COURT REPORTER: MS. SHEA SLOAN
 211 West Ferguson
22 Tyler, Texas 75702

23
24 Proceedings taken by Machine Stenotype; transcript was
25 produced by a Computer.

1 FOR THE DEFENDANTS: MR. JEFF G. RANDALL
2 PAUL HASTINGS
1117 S. California Ave.
Palo Alto, CA 94304-1106
3
4 MR. KIM MOORE
PAUL HASTINGS
875 15th St., NW
5 Washington, DC 20005
6
7 MR. S. CHRISTIAN PLATT
PAUL HASTINGS
4747 Executive Dr., 12th Floor
8 San Diego, CA 92121
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 P R O C E E D I N G S

2 THE COURT: Please be seated.

3 All right. Ms. Ferguson, if you will call the
4 case.

5 THE CLERK: Case No. 6:08cv88, Mirror Worlds v.
6 Apple.

7 MS. RACE: Deborah Race on behalf of Mirror Worlds,
8 and I have with me Ian DiBernardo, Ken Stein, Joe
9 Diamante, and Alex Solo.

10 THE COURT: Very good.

11 MR. RANDALL: Your Honor, Jeff Randall with Paul
12 Hastings for Apple. And with me are my colleagues Mr.
13 Christian Platt and Mr. Kim Moore.

14 THE COURT: All right. We are here for the hearing
15 on the post-verdict motions, and we completed the record with
16 regard to the inequitable conduct yesterday afternoon.

17 The subject matter came up of Apple asking for the
18 unredacted portions of I think it was Defendant's Exhibit 642,
19 which was a seven-page fax transmittal -- or on the front page
20 it says Pages 1 through 7 fax from Richard Milner to Chris
21 Hatchell, and then some pages have been redacted. And I had
22 asked yesterday Mirror Worlds to provide me with the
23 unredacted copy, which I have received.

24 But I have not had a great deal of time to review
25 it. It is quite lengthy. It is 43 pages in length, and I

1 guess I would like to inquire how this document was --
2 generally what the 43 pages is, how it was dealt with as far
3 as privilege log, and what privileges were claimed.

4 MR. SOLO: Your Honor --

5 THE COURT: If you would please stand.

6 MR. SOLO: Your Honor, I sent the document. It
7 should have only been seven pages. To the extent it was 42
8 pages, it is purely accidental. It should have only been the
9 first seven pages. That's how it was dealt with on the
10 privilege basis.

11 THE COURT: What are the other 36 pages that I have
12 received in this?

13 MR. DIAMANTE: Your Honor, do you mind if he
14 approaches the Bench so he might --

15 THE COURT: Excuse me?

16 MR. DIAMANTE: Do you mind if he approaches the
17 Bench to see what he sent you since he sent it late?

18 THE COURT: Ms. Ferguson, let them take a look at
19 that.

20 (Pause in proceedings.)

21 THE COURT: Okay. Let me have that back, if you
22 would, please. I have notes in there that --

23 Thank you, Ms. Ferguson.

24 THE CLERK: We have a clean one, Judge.

25 MS. RACE: Thank you.

1 (Pause in proceedings.)

2 MR. SOLO: Your Honor, it should have been just the
3 first seven pages. The rest were -- the boundaries were
4 different from when we did the production because this was in
5 our review database before all of the privilege analysis was
6 done. The actual document when we did the privilege check was
7 just those seven pages of fax.

8 MR. DIAMANTE: The first seven pages.

9 THE COURT: I'm sorry?

10 MR. DIAMANTE: Just the first seven pages were part
11 of that facsimile --

12 THE COURT: So you are saying that the --

13 MR. SOLO: The next 43 pages were not part of that
14 document -- or the next 36.

15 THE COURT: Well, some of them seem to relate to the
16 same thing, and specifically what they -- well, let me ask you
17 if pages -- if the other 36 pages, what those pages relate to
18 if they don't relate to this document production? And have
19 they been produced?

20 MR. SOLO: The next pages do relate to this document
21 production. They were checked for privilege. And to the
22 extent they weren't, they would have been produced. But we
23 have no way presently of knowing which ones were privilege and
24 which ones were not because this was produced out of a
25 different database. So this was checked. And to the extent

1 anything was not privileged, it was produced.

2 THE COURT: Okay. And to the extent anything was
3 privileged, were the documents specifically listed on your
4 privilege log?

5 MR. SOLO: Yes, they were. And they would have been
6 separate. And the only seven pages that Apple mentioned would
7 be a single document.

8 THE COURT: What I am going to ask you to do is take
9 the 43 pages that have been filed with the Court. I want you
10 to go through those, file a detailed log listing all of those
11 documents, who they are from -- I mean, who they are from, who
12 they are to, the date, and the general subject matter, and
13 whatever privilege you are asserting so that Apple can review
14 that privilege log. And to the extent any of these are not
15 privileged, produce them to Apple. To the extent they are
16 privileged, have the privilege log to Apple -- can you do that
17 by noon today?

18 MR. DIAMANTE: Yes, you should just leave.

19 THE COURT: Do that by noon today. Have the
20 privilege log to Apple, and then Apple have a chance to review
21 it. And I will take up after lunch anything that -- any
22 further requests that Apple might wish to make.

23 MR. SOLO: Thank you, Your Honor.

24 THE COURT: All right. Now, to the matter at hand,
25 I indicated yesterday that I would begin by taking up the

1 damage issue first. And I think to the extent that damage is
2 part of plaintiff's motion for judgment, I will hear from
3 plaintiff first on that.

4 MR. DIBERNARDO: Thank you, Your Honor. We have
5 prepared PowerPoint slides, if I may provide that to the
6 Court.

7 THE COURT: All right. Proceed.

8 MR. DIBERNARDO: Thank you.

9 If we could go to the first slide.

10 Your Honor, the jury returned a verdict of 625.5
11 million, and that award should be entered based on three
12 primary factors.

13 First, the jury was instructed that it could award a
14 per-patent damage, and that is exactly what they did. Also,
15 there were no objections to that instruction. Apple has
16 waived their per-patent damage arguments.

17 Finally, if Your Honor finds that Apple has not
18 waived, there is substantial evidence in the record to support
19 the per-patent damage award.

20 Next slide.

21 The jury was instructed that the damages were to be
22 applied separately and individually for each patent and
23 instructed specifically with regard to the verdict form and
24 the damages question, the third question that the amount of
25 damages were to be provided for each patent.

1 Next slide.

2 And this is exactly what the jury did. They
3 followed that instruction and provided a damage amount for
4 each patent, 208.5 million for each of the three patents for a
5 total award of 625.5 million.

6 Next slide.

7 Apple has argued that there is insufficient record
8 to support that 625 million per-patent damage award and that
9 the per-patent damage award represents an impermissible
10 duplicative recovery. But Apple has waived those arguments.
11 Apple never objected to the instructions. Apple never
12 objected to the verdict form. And Apple's JMOL did not
13 address the per-patent award.

14 Next slide.

15 With regard to Apple's JMOL at trial, they argued
16 that their JMOL has preserved their arguments, but that is not
17 correct. Apple made two JMOLs. The first JMOL simply
18 provided that Mirror Worlds failed to prove that it is
19 entitled to either a lump sum, paid-up royalty, or running
20 royalty. No reference whatsoever to the per-patent damages
21 issue, and it was not surprising since this JMOL was made
22 before Your Honor modified the verdict form and before the
23 issue came up. With regard to Apple's renewed JMOL,
24 the second JMOL, that made no reference whatsoever to patent
25 issues. Not only is it important what was not said in that

1 second JMOL, but the timing of that second JMOL is also
2 important. That was made immediately following the Court's
3 modification of the verdict form.

4 The per-patent damage award issue was raised. Yet
5 Apple remained silent. In fact, it did more than remain
6 silent. It actually objected to opening the record. And that
7 second JMOL, even though the issue was raised and before the
8 Court, Apple remained silent and did not raise this per-patent
9 damage issue.

10 Next slide.

11 In our briefs we cite the Yeti case. That is a case
12 on very similar facts we think. In that case the Court
13 modified a verdict form to provide for separate damages for
14 each cause of action, each of five causes of action.

15 The defendant there did not object to the change in
16 the verdict form and attempted to raise a duplicative recovery
17 argument. But that argument was found to have been waived.
18 In fact, I suggest that the situation here is worse than even
19 in Yeti since Apple actually objected to reopening the record
20 and then stayed silent upon its renewed JMOL.

21 Next slide, please.

22 Apple has relied on the Orion case to support there
23 has been no waiver. But its reliance is misplaced. This case
24 is very different than what happened in Orion. In Orion a
25 cursory motion for JMOL was saved because it was made in the

1 context of detailed extended discussions of the evidence. And
2 those detailed discussions basically advised the Court and the
3 nonmovant about the movant's position. The issue was on the
4 table. Here, however --

5 THE COURT: Counsel, I am really not following your
6 waiver argument. To me the plaintiff has the burden on
7 damages. And what I really want to hear is what basis can you
8 put forward that I should award \$600 million, which is what
9 you are asking me to do? Because my recollection of this
10 trial was that the plaintiff was on the lip of the cusp of
11 getting JMOLed on two patents. And -- but your damage case
12 that you had put on had just related -- you chose to not put
13 your evidence on on a per-patent basis. You put it on on a
14 totality basis. You said that this is the total of the
15 damages.

16 And then when I gave the plaintiff the opportunity
17 to salvage its case by putting on evidence relating to a
18 per-patent basis, you chose not to. You did put on evidence
19 that with the other -- the first JMOL that I had already
20 granted and the iPad is out of the case, it be cut to 50
21 percent of the 600 million total that your expert had
22 testified to, which would be \$300 million.

23 And then Mr. Carroll in his closing argument argues
24 to the jury that on any of these, it would be \$200 million.
25 And I was quite surprised, frankly, when Mr. Randall got up

1 and was concerned that the jury -- that Mr. Carroll was asking
2 for a billion dollars because that is not what I understood
3 him to be asking for.

4 I understood him to be saying that your total
5 damages would be 208 million, where if I threw out the first
6 two patents you would still get 208 million. If all three
7 were still in after JMOL, you would still have 208 million
8 because you got a finding on each one. If any one of them
9 goes away, that much is there. But now you are wanting me to
10 add them together.

11 And Mr. Carroll got back up in rebuttal argument and
12 told the jury we are not asking for a billion dollars, which
13 was consistent with what my understanding of the whole
14 proceedings was. I want to hear what basis you can ask this
15 Court to now give you \$600 million.

16 MR. DIBERNARDO: Certainly. I think we first have
17 to go back to the instructions to the jury which provide that
18 these damages are indeed added, and they are provided on a
19 per-patent basis.

20 If we could go to Slide 3.

21 So the instructions were that the damages were to be
22 determined separately and individually for each of the patents
23 found infringed. Then that second bullet point relates
24 directly to the damages question, Question 3 on the verdict
25 form. There, again, it is clear that the third question goes

1 to the amount of damages for each patent, each separate
2 patent. And certainly --

3 If we go to the next slide.

4 There is nothing on the verdict form that is
5 inconsistent. It is completely consistent. Answer with the
6 amount for the '427, answer with the amount for the '227.

7 As to Mr. Carroll's statements, those arguments, as
8 instructed by the Court to the jury, was not evidence. And,
9 in fact, Apple, Mr. Randall, came up and argued the opposite.
10 So it is true that the jury heard two separate takes on the
11 form. It would be additive or not. And the jury relying on
12 the instructions and the verdict form provided an additive
13 award. Again, those arguments are not evidence, and that was
14 part of the jury instructions.

15 As to the support for the per-patent damage award --

16 If we go to Slide 9.

17 -- Mirror Worlds presented a damage theory based on
18 two hypothetical negotiations, or at least in part. And each
19 of those separate hypothetical negotiations relate to separate
20 patents.

21 The first negotiation in 2005 provided a reasonable
22 royalty if only the '227 patent was infringed. That
23 necessarily has to be the case on the record before us because
24 in 2005 only the '227 patent was infringed. The products that
25 were accused of infringing the other two patents were not yet

1 even released.

2 With regard to the second hypothetical negotiation
3 in 2006, that relates only to the '427 patent because in 2006
4 only the '427 patent was infringed.

5 Actually, I should clarify that. In 2006 the second
6 hypothetical negotiation, that hypothetical negotiation was
7 presented assuming the '227 patent was not infringed. Mr.
8 Bratic presented a second hypothetical negotiation in case the
9 '227 was taken out of the case. That was the explicit purpose
10 for it.

11 And, again, in 2006 the time of the hypothetical
12 negotiation, only the '427 patent was infringed. So that
13 second hypothetical negotiation and reasonable royalty, the
14 748 million, would apply only to that '427 patent. And as
15 expressed in Mr. Bratic's report at the citations here, a
16 similar negotiation would apply just to the '313 patent.

17 MR. RANDALL: I want to object, Your Honor. He is
18 going through this demonstrative, and he is citing to
19 information that he claims is evidence that was presented at
20 trial and wasn't. He is misstating the record. The record is
21 very clear that Mr. Bratic simply said there may be two
22 hypothetical negotiations; one if the '227 was infringed, one
23 if the '227 was not infringed. That is it.

24 THE COURT: Okay. Proceed.

25 MR. DIBERNARDO: In response to that, Your Honor, I

1 think the record is clear. In 2005 the '227 patent was the
2 only patent that was infringed. The reasonable royalty at
3 that time applied only to the '227 patent. In 2006 the second
4 hypothetical negotiation, which was presented --

5 THE COURT: Counsel, I just think you are trying to
6 rewrite the record.

7 MR. DIBERNARDO: These two hypothetical negotiations
8 were presented for a license at that particular time. And,
9 perhaps, the record -- perhaps, the point was not emphasized
10 that there was only one infringing patent at each of those
11 times, but clearly the evidence is there.

12 THE COURT: Okay. Anything else?

13 MR. DIBERNARDO: You asked also about the waiver
14 argument, and perhaps we will just touch on that again.

15 THE COURT: I don't need to hear any more about the
16 waiver argument. Where is Mr. Carroll today?

17 MS. RACE: Your Honor, Mr. Carroll was set to pick a
18 jury in Judge Folsom's Court this morning. And, as I
19 understand it, they settled last night. Now the settlement
20 has fallen apart and Judge Folsom is calling the jury panel
21 back.

22 THE COURT: I thought Judge Folsom was in trial in a
23 criminal case in Sherman.

24 MS. RACE: It is my understanding he was in trial in
25 a pro se criminal case in Sherman, and that case was

1 originally set for earlier this week. I am assuming he
2 finished. He was set to pick that jury this morning.

3 THE COURT: All right.

4 MR. KELLEY: Your Honor, if I could clarify. I
5 understand because the settlement was falling apart last night
6 Mr. Carroll was instructed to be available to talk to the
7 Magistrate who actually -- Judge Craven, who was actually
8 negotiating or acting as the mediator in connection with the
9 settlement; and that he was instructed to be available to talk
10 with regard to the parties. That is where he is. He is at
11 the office talking on the phone. But if the Court wants, we
12 can obviously get him down here.

13 THE COURT: It is up to you.

14 Go ahead, Counsel.

15 MR. DIBERNARDO: Thank you. I guess to touch on
16 that point, the last question, I do think the record is clear
17 that clearly there was a reason for two hypothetical
18 negotiations. And Mr. Bratic made that reason clear.

19 THE COURT: Counsel, that -- okay. Anything
20 further?

21 MR. DIBERNARDO: With regard to Apple's argument
22 that the award is duplicative, if Your Honor finds that there
23 is no waiver as to the duplicative argument, we don't believe
24 our award is duplicative. There were three separate
25 infringements, different patents, and different products.

1 Mirror Worlds is entitled to a separate royalty for each of
2 those three patents. The cases that Apple cites --

3 If we can go to Slide 10.

4 The cases Apple cites do not control here. They are
5 all distinguishable. In the cases cited by Apple, lost
6 profits were at issue. For example, in the Aero case, a
7 duplicative award of lost profits on the same products were
8 awarded for both trademark infringement and patent
9 infringement.

10 In the Catalina Lighting case also relied upon by
11 Apple, again, lost profits were at issue. In fact, Apple has
12 not cited any case where there are reasonable royalties on
13 multiple patents and where that has been found duplicative.

14 THE COURT: Anything further?

15 MR. DIBERNARDO: We are prepared to go on to address
16 the arguments regarding the comparable licenses and prior
17 sales, but on the 625 award --

18 THE COURT: Okay. Response.

19 MR. RANDALL: Your Honor, there are two just brief
20 housekeeping matters I don't want to lose track of, and I will
21 get right to the interpretation of the jury verdict form that
22 you asked about. One is there was a discussion yesterday
23 about the Internet Archive, Exhibit 1126, and I have a letter
24 brief that I could submit regarding that issue if the Court
25 wouldn't mind.

1 THE COURT: All right.

2 MR. RANDALL: The second issue, Your Honor, is that
3 Mirror Worlds has in its post-trial briefs liberally
4 referenced, relied upon, and argued from exhibits that were
5 not introduced into evidence in this case; and I would move to
6 strike the references and the argument on those exhibits that
7 were not introduced into evidence in this case. And I would
8 like a blanket motion to strike that information. I can read
9 in the record, if you would like, those exhibit numbers.

10 THE COURT: Yes.

11 MR. RANDALL: They are exhibit numbers, PX26, 38,
12 143, 222, 346, 1108, 1164, 1168, 1195, 1983. That's all I
13 have on the list, Your Honor.

14 THE COURT: All right. Response?

15 MR. STEIN: There were in connection with one of the
16 briefs a couple of exhibits that were cited that were actually
17 not admitted. But as we pointed out in our responsive brief,
18 there were comparable exhibits that were admitted. There
19 was -- and I am not sure what brief Mr. Randall is referring
20 to in connection to --

21 THE COURT: Counsel, can you give me a line and page
22 as to each of these exhibits where they were admitted into
23 evidence that he has listed?

24 MR. STEIN: Not without looking back at the briefs.

25 THE COURT: Well, I will give you until noon today

1 to file any -- respond to the motion with specific references
2 to the record where these exhibits were admitted. If you can
3 do that, they will be admitted. Or if they can be, they will
4 be considered. If not, then the motion will be stricken to
5 that extent. We will take that up after lunch as well.

6 MR. STEIN: I do want to mention one thing. In one
7 of the briefs, we had cited exhibits that were not admitted.
8 We filed a motion to file a corrective brief that struck those
9 exhibits. To the extent that Mr. Randall was opining that it
10 was because -- that we were using exhibits that were not
11 admitted.

12 THE COURT: All right. Thank you. You may proceed.

13 MR. RANDALL: With respect to your specific
14 question, and I believe you asked for the parties to address
15 the interpretation of the jury verdict form without diving too
16 deep into our arguments about the lack of evidence that
17 support it.

18 THE COURT: Right.

19 MR. RANDALL: We don't believe, Your Honor, there is
20 any way to appropriately interpret that jury verdict form any
21 other way than one verdict for 208.5 million. Now, we
22 obviously have arguments that we have made in this case about
23 why that is insufficient, inadequate, and legally
24 unsupportable; but I am not going to get into those right now.
25 I am just going to talk about the interpretation of the form.

1 THE COURT: All right.

2 MR. RANDALL: Your Honor, the three identical 208.5
3 damage numbers are duplicative. Mr. Bratic and Mirror Worlds,
4 as you mentioned, argued for one lump sum damage figure for
5 all three patents for the same sales of Apple's hardware and
6 software, and that number was \$625 million.

7 The Court granted JMOL of noninfringement of all of
8 Apple's mobile products. Mr. Bratic got up late in the case
9 and in a rather conclusory fashion said to the jury that
10 because of the elimination of the mobile products that that
11 single lump sum damage figure request would be cut
12 approximately in half. And that was for infringement for all
13 three patents, to roughly a little over 300 million.

14 The Court then revised the jury verdict form when
15 the Court was considering dismissing from the case the '227,
16 and the '313 patents for noninfringement -- no direct
17 infringement. And as the Court was considering that issue,
18 the Court revised the verdict form to a per-patent verdict
19 form.

20 Counsel for Mirror Worlds, as you mentioned, during
21 the argument filled in the jury verdict form and essentially
22 asked the jury and wrote in the numbers for Mirror Worlds'
23 total damage award of a little over 300 million. He
24 identified -- and this is in the record -- numbers ranging
25 from 318 million, 320 million, 322 million. He put those

1 numbers and wrote them each. That is their total damage award
2 request in each of the three slots for the patents.

3 And I objected as inviting error. That was on
4 October 1 at Pages 93 and 94. And the error that invited
5 obviously is that there was no support in the evidence for
6 damages supporting their entire claim of damages for each
7 patent. There was no support in the record for a request for
8 damages that did not account for the Court's dismissal of all
9 of the indirect infringement claims.

10 There was no support in the record that the '313 and
11 '227 patents, the direct infringement alleged by Mirror
12 Worlds, supported the entire 300 and some-odd million dollar
13 verdict award. And there was simply no evidence, no evidence
14 by Bratic or Mirror Worlds or any of their witnesses about an
15 allocation of the damages per patent.

16 But nonetheless, Mr. Carroll -- I argued that he may
17 be attempting to get approximately a billion dollars adding up
18 the 300 some-odd figures, adding them up. He got up and
19 countered on his argument, and he argued that -- and he
20 explained to the jury that the total damage request, as he
21 understood it, was approximately three hundred and a quarter.
22 That is what he said three hundred and a quarter that is the
23 total damage request.

24 And he said, now, that doesn't mean we are going to
25 get a billion dollars. That is what he said on October 1 at

1 Pages 132 and 133. That does not mean we are going to get a
2 billion dollars. That was in response to my objection. He
3 says, we are not triple dipping.

4 Now, the jury didn't accept Mirror Worlds' request
5 for roughly half of -- the total lump sum damage request was
6 half of 625, which is a little over 300 million; and that is
7 what Mr. Carroll wrote in each of the patent numbers on the
8 verdict form. The jury did not accept that. Mr. Carroll also
9 wrote slightly different numbers on each one of those. The
10 jury didn't accept that either.

11 What the jury did instead was wrote down
12 approximately one-third. Instead of giving them one-half,
13 they wrote down one-third. They wrote down identical numbers.
14 They rejected this differentiation because there is simply no
15 evidence for that. And thus the maximum interpretation under
16 this case of that verdict form without regard to the other
17 arguments we have made in this case about the deficiencies, is
18 one total lump sum award of 208.5 million for infringement of
19 all three patents -- or roughly one-third of the original
20 request, as opposed to the request of one-half of the 300 and
21 some-odd million.

22 THE COURT: Thank you.

23 Reply?

24 MR. RANDALL: Your Honor -- I'm sorry. If you would
25 like me to address this waiver argument, I certainly can.

1 THE COURT: You might as well, yeah.

2 MR. RANDALL: Okay. Your Honor, we did not waive
3 our objection on per-patent damage awards. In fact, if I can
4 state what the record does indicate is that we indicated all
5 along that Mirror Worlds' damages were legally inadequate, and
6 we moved for JMOL on damages. And the record is clear. As to
7 damages at the close of Mirror Worlds' case, we specifically
8 argued that Mirror Worlds failed to prove that it is entitled
9 to either a lump sum paid-up royalty or running royalty. That
10 was on the 29th in the afternoon at Page 95, Lines 8 through
11 16. Apple preserved its damages challenge at that moment.

12 Then at the close of Apple's case and as the Court
13 was considering granting JMOL of noninfringement on the two
14 patents that he mentioned, the '313 and the '227, at that
15 point you asked specifically Mirror Worlds to address the
16 point, what if you dismissed those two patents? And they
17 submitted a brief to Your Honor. They stated, "The jury
18 currently does not have sufficient information before it to
19 determine the appropriate damages if the Court were to
20 eliminate the '227 and '313 patents." That is at Docket No.
21 403 at Page 6.

22 Now, at that point, the Court had already told
23 Mirror Worlds you are considering dismissing these two
24 patents, what will that do to your damages? Mirror Worlds
25 says the jury doesn't have sufficient information to determine

1 appropriate damages if you eliminate those. And with that in
2 mind, Your Honor offered them the opportunity to reopen the
3 case and address the issue. And they declined.

4 At that point I also indicated we don't know what
5 evidence they are going to put on. There is no evidence they
6 could put on to allocate these damages. We were pointing out
7 that they had a deficiency in the evidence, and they can't
8 satisfy it. But, nonetheless, Your Honor gave them the
9 opportunity to reopen the record and address that deficiency
10 and they declined.

11 Now, we had already moved for JMOL. We had already
12 noted the deficiency in the evidence. We had already noted
13 that we didn't believe they could provide evidence to
14 allocate; and with that in mind and that issue squarely in
15 mind with the Court's offer to address the issue, they
16 declined. The fault lies with Mirror Worlds, not Apple. It
17 is not our burden to put on that evidence.

18 We put on our damages case, and our damages case was
19 clear that the maximum damage award could be, based on the
20 hypothetical negotiation, sales of the patents, no more than
21 \$5 million. We put that on, and we consistently indicated the
22 deficiency in Mirror Worlds' damages claims.

23 So, Your Honor, the issue was preserved. And
24 certainly under Fifth Circuit law, as applied by the Federal
25 Circuit, motions for JMOL are liberally construed. Just

1 recently the Federal Circuit ruled in Western Union that
2 cursory motion on JMOL is sufficient. But in this case it
3 wasn't a cursory motion. In this case the issue was squarely
4 presented to Mirror Worlds whether or not there is an ability
5 for them to put on evidence on a per-patent basis.

6 They hadn't done it in their case. We pointed it
7 out that there is no evidence they could have put on. Your
8 Honor gave them the opportunity to reopen the record, and they
9 declined. That is their fault, and now we are moving for
10 judgment on that issue.

11 THE COURT: All right. Thank you.
12 Response?

13 MR. DIBERNARDO: Thank you, Your Honor. I will
14 first address Apple's reliance on the attorney argument. They
15 routinely point to Counsel's statement, Mirror Worlds'
16 Counsel's statement regarding closing. However, they
17 completely ignore their own statements.

18 Apple objected to the statements acknowledging that
19 they should be added. They said, Your Honor, they are
20 basically asking for a billion dollars. That is a recognition
21 that the jury --

22 THE COURT: I think they were concerned about that.
23 But that is not what I thought they were asking for, and I
24 didn't think that was what Mr. Carroll thought they were
25 asking for. But now you are asking for it. And you are going

1 to hang your hat on their concern about it?

2 MR. DIBERNARDO: Well, I think the jury, when faced
3 with the competing positions, went back, as they should, to
4 the jury instructions. And these instructions made clear --

5 That is on Slide 3.

6 -- that the awards --

7 THE COURT: Maybe it is just so confused we need a
8 new trial. How about that?

9 MR. DIBERNARDO: We don't believe that is necessary,
10 Your Honor, based on these clear instructions --

11 THE COURT: That is going to be my decision.

12 Anything further?

13 MR. DIBERNARDO: Again, Your Honor, we think these
14 instructions control. And as to the waiver, it is not simply
15 an issue. It is simply a matter of were they apprised of the
16 issue. It is a question -- and this is the language from the
17 Federal Circuit in the Orion case. It is a question of
18 whether or not the parties -- whether Mirror Worlds and the
19 Court needed to know more about the movant's position, Apple's
20 position. And it was not put on the table by Apple that there
21 was a per-patent damage -- a failure of proof on the
22 per-patent damages award.

23 They simply objected to reopening the record, and in
24 that JMOL made after this issue arose, they remained
25 completely silent as to damages. No reference to damages

1 whatsoever. It was after that that Mirror Worlds decided not
2 to put on any additional evidence in reliance upon that
3 silence.

4 And going back to the proof, these two hypothetical
5 negotiations. Again, it is clear from the record that the
6 first hypothetical negotiation was in 2005 when only the
7 single patent was infringed. The other two patents, the '427
8 and '313 were not asserted against any product at that time.
9 We chose a conservative -- Mr. Bratic had a conservative
10 approach, but at that time the \$625 million reasonable royalty
11 applied only to infringement of the '227.

12 The second hypothetical negotiation was explicitly
13 applied in a situation where the '227 was found not
14 infringed. That was the whole reason for the second
15 hypothetical negotiation, and that hypothetical negotiation in
16 2006 covered infringement of just the '427. The product that
17 was accused of infringing the '313 had not yet been released.
18 So that second hypothetical negotiation and the 748 million in
19 reasonable royalty applies only to the '427.

20 And this notion actually comes back later, Your
21 Honor, because that '427 patent has system claims. So even if
22 we find that the method patents are out, this 748 million
23 reasonable royalty, the second hypothetical negotiation, still
24 applies.

25 THE COURT: Okay. Thank you, Counsel.

1 All right. Let's move to the JMOLs on infringement.

2 Let me hear from Apple with regard to their JMOL. We will
3 take it one point at a time. So make your presentation, I
4 will hear a response, and let you move on to the next point.

5 MR. RANDALL: Thank you, Your Honor. The first
6 argument regarding JMOL of noninfringement, and as I mentioned
7 before, I don't know that we will have time to get to all of
8 them. We feel equally strong about each of the arguments that
9 were made in our brief. But I will address the first one,
10 which is the motion that we were referring to earlier, which
11 is Apple is entitled to JMOL of all asserted claims of the
12 '227 and '313 patents because Mirror Worlds did not prove
13 direct infringement by Apple of those method claims.

14 Mirror Worlds' entire case, both damages and
15 liability with respect to those two patents, really rested on
16 their faulty premise about whether they could prove indirect
17 infringement. They relied in terms of damages on sales of
18 hardware and software. They relied on establishing
19 infringement through indirect infringement. They relied on
20 their ability to, perhaps, prove that infringement under
21 271(a) was proven by the sale of these products, and they are
22 wrong factually and legally on all of those issues.

23 Number one, the Court granted JMOL of
24 noninfringement on indirect infringement, so those issues are
25 off the table. That left Mirror Worlds with only one

1 argument, which is could they prove that Apple directly
2 infringed the method claims of the '227 and '313? And they
3 simply can't.

4 First, it is, as a matter of law, infringement of
5 the method claim requires performance of each step, and
6 Apple's Mac OS sales cannot directly infringe those method
7 claims. Now, we have cited the Joy Techs case which states a
8 method claim is not directly infringed by the sale of an
9 apparatus even though it is capable of performing only the
10 patented method. The sale of the apparatus is not a sale of
11 the method. A method claim is directly infringed only by
12 practicing the patented method.

13 We went on to cite, Your Honor, the Ricoh case,
14 which is even closer to our situation. That again, the
15 Federal Circuit in the Ricoh case held that a party that sells
16 or offers to sell software containing instructions to perform
17 the patented method, does not infringe the patent under
18 271(a).

19 In Ricoh, unlike the way that Mirror Worlds
20 characterizes it, the accused product was an optical disk
21 drive; it was an optical disk drive hardware as instructed by
22 and included with the software. And so their distinction they
23 attempt to make with respect to Ricoh that is only addressed
24 to software, is simply wrong.

25 Your Honor, the Federal Circuit has never found a

1 viable claim of infringement of a method under the sale or
2 offer for sale prongs of 35 USC Section 271(a). They noted in
3 the NTP/RIM case, that Congress has consistently expressed the
4 view that it understands infringement of method claims under
5 Section 271(a) to be limited to use.

6 They simply can't establish as a matter of law that
7 the sale of Apple's computers along with the software, given
8 that they have substantial noninfringing uses -- which, of
9 course, they do -- but they simply can't prove that the sale
10 of those computers and software constitutes infringement,
11 direct infringement under 271(a) of the method claims of those
12 two patents, and their argument has failed.

13 Your Honor, I will just note that the Federal
14 Circuit on this issue has somewhat put two stakes in the
15 ground in two cases. Mirror Worlds in their surreply brief
16 cites the Lucent case. The Lucent case involved whether or
17 not Microsoft sale of software and whether or not the jury
18 verdict of indirect infringement would be up held by the
19 Federal Circuit. So the Federal Circuit was looking at
20 whether or not that indirect infringement finding could be
21 upheld on a JMOL motion. Obviously, you have dismissed the
22 indirect infringement in this case.

23 But the Court went on to identify whether or not
24 there was sufficient evidence in the record of direct
25 infringement in the Microsoft case. And in that case, Your

1 Honor -- and when I say the court has staked out this ground,
2 this case stands for the proposition that the direct
3 infringement evidence in that case was as close of a call I
4 think as the Federal Circuit is ever going to get and ever
5 going to opine on. They said that the evidence was barely,
6 barely sufficient.

7 And, however, what they did rely on to find direct
8 infringement of the method claims, they relied on the fact
9 that the expert that testified -- this was at Page 1318 -- the
10 expert testified that he had performed all of the steps of the
11 method claim many, many times. He also noted that his wife
12 had performed all of these steps as well. And the Court noted
13 that, "Just as anticipation can be found by a single prior art
14 use, a finding of infringement can rest on as little as one
15 instance of a claim method being performed during the
16 pertinent time period."

17 So the court relied on the evidence presented of
18 direct infringement the many, many times that the method was
19 performed not only by the expert but by his wife. And the
20 court indicated that Lucent's expert testified that it is hard
21 to imagine that we are the only two people that have done it.
22 But nonetheless, the case -- the court relied on that and
23 found that there was barely enough evidence to make the
24 finding of direct infringement.

25 The court then also distinguished the E-Pass case,

1 another Federal Circuit case. And they distinguished the
2 E-Pass case, and they said that E-Pass does not compel the
3 overturning of the jury's verdict. There the patentee tried
4 to rely on excerpts from the product manuals for various
5 accused devices. All the court had before it, however, was
6 evidence showing at best, that the Palm defendants at best
7 taught their customers each step of the claim method in
8 isolation. Thus, patentees failed to introduce even
9 circumstantial evidence of infringing acts.

10 So what the court has done has staked out two
11 grounds. One, the Court has staked out in Lucent that the
12 barest possible evidence supporting a direct infringement
13 claim is when you have at least two people saying that they
14 have performed all of the steps many times.

15 Okay. And then on the E-Pass case where all the
16 plaintiff is relying on is excerpts from product manuals for
17 various accused devices that teach at best how the customers
18 should perform each step of the claim method in isolation. We
19 don't even have the E-Pass case, Your Honor. They didn't
20 present the evidence to the jury about these manuals, about
21 these steps, about these instructions. They never presented
22 that to the jury.

23 They certainly never presented any, any evidence of
24 direct infringement. Not one person did they say has gone
25 through all of the steps of each of those method claims. They

1 have no evidence of direct infringement by any person
2 performing all of the steps of those method claims. None.

3 With respect to their reliance on these manuals,
4 they didn't even present that to the jury. It is not in the
5 record. They didn't go through the manuals and say anything.
6 But nonetheless even if they had, the E-Pass case indicates
7 that is insufficient.

8 THE COURT: So what about Mr. Jobs' video?

9 MR. RANDALL: Your Honor, they cite to Mr. Jobs --
10 Your Honor, first Mr. Jobs --

11 If you can pull up J-9.

12 Mr. Bratic correctly points out that at the
13 conference on June 24th there is a question:

14 Q. At the conference in June of 2004, Apple handed
15 out 3,000 copies of the accused infringing software, correct?

16 A. (By Mr. Bratic) No, that's not true at all.
17 That software wasn't infringing.

18 Q. That software wasn't infringing?

19 A. It was not.

20 Q. Okay.

21 And then he goes on to state:

22 A. There is no evidence in this case that the 3,000
23 preview copies that Apple passed out at the Worldwide
24 Development Conference was infringing. Because if you go to
25 Dr. Feiner's report he says it is his understanding that it

1 was a -- now that word says "complete." But the record was
2 "incomplete." Incomplete product, and he got that
3 understanding from Apple. Nobody analyzed that product to
4 figure out if it was infringing or not.

5 Their expert pointed out, Your Honor, that there was
6 no evidence in the record that the demonstration software --
7 or presentation software included each and every step, and
8 also that the demonstration itself doesn't satisfy each and
9 every step of the method claims.

10 Your Honor, now Mirror Worlds relied on an exhibit
11 in their brief that was not admitted into evidence, which is
12 Exhibit 933. That was an email from September 2004 regarding
13 a Walt demo. In that email it indicates that based on this
14 demonstration of September 2004, Spotlight does not find all
15 attachments to emails.

16 There is no evidence that, number one, that software
17 that may have been utilized by Mr. Jobs was ever analyzed to
18 see if it satisfied each and every of the elements. He never
19 practiced each and every step of the method claims in that
20 video, and there is no proof that it has a main stream
21 inclusive of all data units. That is indicated by that
22 exhibit they relied on that isn't even in evidence.

23 THE COURT: What was that exhibit number again that
24 you said was not part of the record?

25 MR. RANDALL: I believe it is 933, Your Honor.

1 THE COURT: That was not part of your motion to
2 strike that you made this morning.

3 MR. RANDALL: All right. Then I am mistaken. It
4 should be included in it.

5 THE COURT: All right. Well, you can check on that.
6 Go ahead.

7 MR. RANDALL: Now, as you recall, the reason why --
8 one of the reasons why Mr. Bratic pointed out that there is no
9 evidence whatsoever of infringement is because he wanted to
10 move the hypothetical negotiation. He wanted to move the
11 hypothetical negotiation away from sales of the patents that
12 were not beneficial for their damages case. So he indicated,
13 and Mirror Worlds took the position in the litigation, that
14 there was no infringement that occurred before June of 2004 --
15 I'm sorry, June of 2005.

16 So, Your Honor, Mirror Worlds is left with an
17 inability legally to show infringement under 271(a) by the
18 mere sale of hardware and software which they allege is
19 capable of performing the methods.

20 THE COURT: All right. Response?

21 MR. DIBERNARDO: Your Honor, we have additional
22 PowerPoints on the infringement issue.

23 THE COURT: I'm sorry?

24 MR. DIBERNARDO: We have additional PowerPoints on
25 the infringement issue.

1 THE COURT: All right.

2 MR. DIBERNARDO: Thank you.

3 MR. STEIN: Good morning, Your Honor. There are
4 three bases under which Apple has directly infringed. One, by
5 selling or offering to sell the infringing methods. Two, by
6 Apple's own direct infringement by performing the infringing
7 methods. And the third is with respect to Claim 13 of the
8 '227 patent that its product necessarily perform those
9 methods.

10 THE COURT: I'm sorry, what was your third point?

11 MR. STEIN: That with respect to Claim 13 of the
12 '227 patent Apple's computers automatically -- or necessarily
13 infringe those methods.

14 THE COURT: I see. Okay.

15 With respect to the first basis, selling and
16 offering to sell a method, the Federal Circuit has twice
17 addressed this issue; once in NTP and once in Ricoh. And on
18 both occasions the Federal Circuit explicitly declined to rule
19 that the sale or offer for sale of a method cannot be
20 infringed under 271(a). Both those cases are different than
21 our case. In the NTP case it involved the sale -- that case
22 involved the sale of a device that did not perform all of the
23 steps of the patented method.

24 That is unlike this case where Apple is selling
25 computers that do perform all of the steps. In fact, the jury

1 has already found that the accused Spotlight, Time Machine and
2 Cover Flow features infringe the claims of these patents. So
3 there is no dispute at this point as to that jury -- as to the
4 jury verdict. Using those three features will infringe the
5 claims of these patents. So by selling computers that have
6 those features on it, Apple is selling all of the steps of the
7 method, which is unlike NTP.

8 In Ricoh that case involved just the point in that
9 case that was addressing the sale of the method was addressing
10 the sale of software alone. Mr. Randall just mentioned that
11 that was not the case. If the Court reads that case
12 carefully, it is quite clear that in Ricoh what the court held
13 was that the sale of a software -- of software alone, does not
14 infringe. In that case the software was not sold together
15 with the hardware. That is unlike this case where Apple is
16 selling the software loaded onto its computers.

17 The Joy Techs case, which Mr. Randall just
18 mentioned, was an injunction case -- the case dealt with the
19 scope of injunction, in particular whether or not the court
20 could enjoin the practice of a method that was going to occur
21 after the expiration of the patent term. It was a completely
22 different situation than here. In fact, that case never even
23 mentioned the issue of the sale or offer for sale of the
24 patented method.

25 Now, on several occasions district courts have

1 addressed this issue and have found liability for the sale or
2 offer for sale of the patented method. And we cite those
3 cases in our briefs. It happened on two occasions where the
4 court found that liability under those prongs was appropriate,
5 and we think that the application of that rule here is also
6 appropriate based on the facts of this case.

7 The facts of this case were not present in any of
8 the cases that Apple cites and it is not present in any of the
9 cases that we have found. And the bottom line is that the
10 Federal Circuit has explicitly declined to rule on that issue.
11 So to the extent that Apple is now arguing that liability
12 cannot be found for selling or offering to sell a method, that
13 is just untrue under the current state of the law.

14 Now, Apple has plainly been selling or offering to
15 sell the method. They have been promoting the Spotlight, Time
16 Machine, and Cover Flow feature. They promote them as
17 revolutionary groundbreaking features, marquee features. They
18 have been demonstrating those features at their trade shows
19 and conferences. And the evidence, in fact, conclusively
20 establishes that Apple's customers, in fact, use those
21 infringing features.

22 If you could put up Slide 9.

23 This is an email regarding one survey that -- this
24 is an excerpt from the email, one survey that Apple had taken.
25 It says that Apple surveyed -- if you look at the top line --

1 recent buyers of CPU's (Tiger pre-installed.) These are
2 actual users of Apple's products. And it found that these
3 people do indeed use Spotlight, finding that 60 percent of the
4 total in this particular survey use it.

5 So there is really no question as to use by users.
6 They are out there promoting it as important features,
7 fundamental features of the operating system, and it is borne
8 out by the fact that their customers are, in fact, using those
9 features.

10 Now, the second basis for finding direct
11 infringement is Apple itself performed the patented method.
12 Now, we cite a case in our brief, and it is just common sense
13 that use of a patented method during research and development
14 may constitute infringement. And the case that was cited as
15 an example was Ormco, the Ormco case. Well, Apple actually
16 missed, and there is substantial evidence of record that Apple
17 developed the infringing features, albeit after seeing and
18 utilizing the ideas in Dr. Gelernter's inventions. But they
19 developed these things.

20 There is evidence of record that Apple tested the
21 accused -- the infringing features, which only makes sense.
22 No company is going to release a product without first testing
23 the features. And under the established law, that is evidence
24 sufficient to establish direct infringement by Apple.

25 In addition, Apple has also performed the accused

1 methods in promoting the inventions that -- both in their
2 marketing literature and at the conferences. Mr. Randall
3 mentioned the conference in 2004 which he claims there wasn't
4 noninfringement, but there was also evidence of Mr. Jobs
5 demonstrating the accused features at Mac World 2005 at the
6 time that the accused features were released.

7 And, you know, the issue is presumably -- that he is
8 bringing up in 2004, does not apply to that. But in any event
9 there is substantial evidence that Apple both developed,
10 tested, and promoted their accused features. They certainly
11 used them. I don't think there is -- any argument to the
12 contrary is disingenuous.

13 The third basis is that Apple's products necessarily
14 infringe Claim 13 of the '227 patent which relates to the
15 Spotlight feature. That feature is at the core of Apple's
16 OS -- accused Mac OS X operating systems. It is there. The
17 operating system performs the steps of those features. Apple
18 in its briefs argued that there are certain steps that are
19 initiated by the user and, therefore, not necessarily
20 performed. But those steps are part of the basic operation of
21 the computer, and they will inevitably be performed by any of
22 Apple's users. That is a separate, independent basis for
23 infringement; and we cite a case establishing that the Rambus
24 case says you can show direct infringement if the accused
25 device necessarily infringes the patent-in-suit.

1 Thank you.

2 THE COURT: Any response?

3 MR. RANDALL: Briefly, Your Honor, yes.

4 MR. RANDALL: I would briefly point out to the Court
5 that the Ricoh case -- and it states right in the background
6 section, the patents directed to methods and apparatuses for
7 generating a particular pulse sequence for recording
8 information to a rewritable optical disk were invalid for
9 obviousness. The accused devices do not practice the methods.
10 Under the holdings the accused devices did not practice the
11 methods of the asserted claims of the patent directed to
12 methods and apparatuses for forming rewritable optical
13 disks.

14 Throughout the patent under the background section,
15 the patents-in-suit are directed to various aspects of optical
16 disk driver technology. And it goes on. Throughout the case
17 it is clear that the methods were directed to both hardware
18 and software in that case.

19 Directing the Court to the argument that they made
20 that somehow the Apple products automatically infringe Claim
21 13 of the '227. First, apparently they are not making that
22 argument as to any of the '313 claims nor to Claim 22 of the
23 '227. They are not saying those automatically infringe. We
24 don't have any argument about that, assuming the Court finds,
25 as we think the Court should, there is no sale of the methods

1 under 271(a).

2 But with respect to their argument on Claim 13, Your
3 Honor, it has a series of steps that must be performed by the
4 computer, for instance, searching. And we included at Exhibit
5 3 of Docket 432 of our renewed JMOL motion, a chart showing
6 Dr. Levy's testimony about the user involvement that is
7 required to perform the steps of Claim 13 of the '227. And it
8 is absolutely clear from the steps that are required, from Mr.
9 Levy's testimony that those steps are not automatically
10 performed by Apple's computer.

11 For instance, searching, you can use that computer
12 forever without ever doing searches within the computer. The
13 other, receiving data units from other computers. A lot of
14 people don't connect their computer to other computers to
15 receive data units. So there is other things that can be
16 done, and you don't have to infringe. So when they say you
17 simply turn on a computer and it automatically infringes, it
18 is wrong. That is not what their expert testified.

19 There is no evidence in the record that suggests
20 that turning on a computer automatically performs all of the
21 steps. In fact, their expert Levy testified to the contrary
22 that users have to perform searches; that they have to receive
23 data from other computers; and these steps are not performed
24 automatically. And there is no evidence in the record to
25 suggest otherwise.

1 They simply don't have any evidence of a user
2 performing every single step of the method claims of those two
3 patents. It seems like we have spent a week, we have spent
4 months, we have spent years on this case. They should be able
5 to point to it. Just say here it is. Here is someone
6 performing all of the steps. Here is our evidence, Judge. It
7 is right here in the record multiple times. They simply don't
8 have it. They didn't do it. They didn't put on the indirect
9 infringement case. They haven't put on a direct infringement
10 case. The law doesn't support them. And there is simply no
11 evidence to prove it, Your Honor.

12 THE COURT: Final word on that one?

13 MR. STEIN: Well, we did show evidence of direct
14 infringement in many ways. The survey results -- well, one,
15 stepping back, the jury found that the Spotlight, Time
16 Machine, and Cover Flow features infringe when used. So that
17 is the jury's determination in this case.

18 So from that alone -- if Apple's position is that
19 none of the customers use those features, and we don't believe
20 that position is -- we believe that position is disingenuous.
21 They have been out there promoting those as marquee features
22 of their operating systems. Mr. Jobs himself has had
23 conferences touting the importance of Spotlight, calling it a
24 revolutionary, groundbreaking feature; that Apple is
25 attempting to argue that no one has used those features, or

1 those features are somehow -- I guess -- well, not important
2 or something that people wouldn't be using. It just doesn't
3 make sense. They are there. There is lots of reviews of
4 records. There was the surveys of records showing actual use
5 by customers of Spotlight, Time Machine, and Cover Flow.

6 And again, I just don't think that that argument
7 carries any weight. To the extent that Apple is arguing that
8 the devices don't necessarily infringe, their own surveys show
9 that the usage of these features by their customers and the
10 particular features that he is pointing to, loading a
11 document, that happens by getting an email or going to the
12 web.

13 And, again, I think the argument is disingenuous
14 that a customer of Apple's computers is not going to download
15 a document at some point or create a document. The whole
16 purpose of an Apple computer is for people to do the things
17 that everybody does with computers every day. And that
18 includes email, that includes web browsing, that includes
19 creating documents. It is hard to imagine that any customer
20 of Apple would not be performing those features. And I think
21 it was a reasonable inference for the jury to draw based on
22 the evidence presented, that those products would necessarily
23 infringe Claim 13 of the '227 patent.

24 THE COURT: Thank you.

25 We are going to take about a 10-minute recess.

1 (Recess was taken.)

2 THE COURT: Please be seated.

3 All right. Mr. Randall, would you like to take your
4 next point?

5 MR. RANDALL: Yes, Your Honor. The next point, Your
6 Honor, is directed towards the claim element that requires
7 displaying a cursor or pointer and responding to --

8 Can you put the board up, by the way? And can you
9 put up J-008?

10 And responding to the user controlled sliding
11 without clicking of the cursor over said displayed stack to
12 display a glance view. There is no literal infringement of
13 this claim, and that has been established.

14 There also, Your Honor, with respect to the
15 operation of Mac OS X, the operation of our operating system
16 is substantially different than the claim requirements here.
17 And, therefore, under the doctrine of equivalents, Your Honor,
18 as a matter of law there can be no infringement.

19 Now, Your Honor already addressed this issue with
20 respect to the mobile products. If you recall in ruling that
21 Mirror Worlds failed to establish under the doctrine of
22 equivalents this element as a matter of law with respect to
23 the mobile products, Mirror Worlds attempted to argue all of
24 the evidence that they submitted with respect to the operating
25 system.

1 So the evidence presented by Dr. Levy, the evidence
2 presented by Mirror Worlds to show that this element was
3 satisfied that they presented to Your Honor, was evidence
4 directed towards Mac's -- Macintosh operating system. And
5 Your Honor considered that evidence and rejected it as legally
6 insufficient in finding that the mobile products did not
7 satisfy this claim element. And we are renewing our motion,
8 and I will go through the argument as to why the operation of
9 the Mac OS X is substantially different than the requirements
10 of this claim element and, therefore, as a matter of law under
11 doctrine of equivalents there can be no infringement.

12 But also, as you recognized, Dr. Levy not only
13 didn't understand the appropriate doctrine of equivalents
14 analysis, he certainly never applied it. He certainly never
15 identified any insubstantial differences between the operation
16 of Mac OS X and the requirements of this claim element, and
17 they simply couldn't because the operation of Mac OS X with
18 respect to these items required by the claims is significantly
19 different.

20 Can you go to Clip 6, please.

21 Now, this is a clip that we played throughout the
22 trial, Your Honor. And it is at Docket 432, Exhibit 4. And
23 what this shows is that when the cursor -- and this is
24 Mac OS X, when the cursor is displayed and moved over the
25 stack, the system doesn't respond in any way. There is no

1 response. So when the claim requires displaying a cursor or
2 pointer and responding to sliding without clicking of the
3 cursor over the said display stack to display a glance view,
4 there is no glance view that is displayed when the cursor is
5 slid across the stack without clicking.

6 There is no glance view displayed. There is no
7 response by the system. The system simply doesn't do
8 anything. And when the cursor stops on a document image,
9 there is no glance view either that is presented. So simply,
10 it doesn't -- there are substantial differences between the
11 way Mac OS operates with respect to its cursor and the claim
12 limitations, Your Honor.

13 Now, Levy admitted on cross that this black cursor
14 does not infringe. And he testified that while it is one form
15 of cursor, it does not correlate with any action. And that is
16 on the 29th in the morning -- September 29th in the morning at
17 Page 29 and again at Page 26.

18 In response to our motion, you invited Apple to file
19 a motion and address in writing why the mobile products do not
20 satisfy this element and why the Court should grant JMOL of no
21 doctrine of equivalents infringement as to the mobile
22 products. We submitted our brief. Mirror Worlds submitted
23 evidence by Dr. Levy that was directed towards the operating
24 system, and that is what you rejected when you found JMOL of
25 no doctrine of equivalents infringement on this issue.

1 And can we go to J-13.

2 So this is a demonstrative, Your Honor, showing that
3 Mirror Worlds cited almost exclusively the Mac OS X doctrine
4 of equivalent evidence in opposing the mobile products JMOL
5 which is at Docket 398 at Pages 2 through 7. And these are
6 the references that they argued in opposition to our motion
7 that was rejected.

8 Can you go to J-14.

9 Now, Dr. Levy here repeatedly testified that instead
10 of having a moving pointer and a stationary stack, Cover Flow
11 and Mac OS X has a moving stack and essentially a stationary
12 pointer. He went on to state that Cover Flow and Mac OS X
13 does not display a literal pointer, but I believe it has the
14 equivalent because the user is always looking at the center
15 where the glance view is going to pop up, and that is where
16 the cursor or pointer is by default.

17 He states there is another cursor on the Cover Flow
18 screen. The cursor or pointer is in the area of the center of
19 that square which selects what comes under it. So he
20 constantly claimed in his doctrine of equivalent analysis as
21 applied to Mac OS X, that there was a stationary pointer,
22 stationary sliding stack. That is the exact same theory and
23 arguments that they presented unsuccessfully to Your Honor
24 with respect to the mobile products.

25 Go to 25-C.

1 So here, again, is his stationary stack sliding
2 pointer that was rejected previously by the Court where he is
3 indicating above, that as you move the pointer and the cursor
4 along the stack and it rests on a document image, it shows the
5 glance view. That simply isn't done below. There is no
6 cursor. There is no cursor that moves over the stack. There
7 is no glance view shown when the cursor stops on a document
8 image. It is substantially different than the claim
9 requirements. That is why they can't, as a matter of law,
10 prove doctrine of equivalents.

11 In addition to just simply failing as a matter of
12 law to prove it because there are substantial differences,
13 Your Honor, there is no way that they can come up with a
14 theory that that representation of OS 10 satisfies these
15 elements without vitiating the claim elements, which you also
16 found with respect to Mirror Worlds' arguments on the mobile
17 products. You found that not only did Dr. Levy fail to
18 identify insubstantial differences, but also that he did not
19 apply a function, way, result test.

20 He simply didn't do it. He didn't understand -- and
21 I crossed him on this -- he didn't understand what the
22 doctrine of equivalents was. He never identified
23 insubstantial differences. He never applied a function, way,
24 result test. He never applied the doctrine of equivalents.
25 He has no opinion about it other than saying, oh, I think it

1 is equivalent, and that is insufficient. But when you look at
2 it, the substantial differences render it, as a matter of law,
3 impossible to prove infringement. Then the only way to get
4 there is by vitiating the claim elements and by just
5 completely ignoring them like responding.

6 The cursor has to respond to sliding without
7 clicking over the displayed stack to show a glance view when
8 the document representation is currently touched by the
9 cursor. So they have now changed their theory completely.
10 There is no evidence in the record of this, but they have
11 changed their theory and said, well, it is that sliding scroll
12 bar at the bottom. That must be the cursor.

13 Well, it doesn't matter. It doesn't matter whether
14 it is the black cursor, which they already said wasn't the
15 cursor and simply doesn't respond, or if it is the scroll bar
16 at the bottom. The scroll bar at the bottom does not satisfy
17 these claim elements and is substantially different from these
18 claim elements as well. The scroll bar never touches a stack.
19 The scroll bar never touches a document image.

20 Your Honor, for these reasons Apple moves for JMOL
21 as a matter of law of no infringement under the doctrine of
22 equivalents for all claims of the '427 and '313, Your Honor.

23 THE COURT: All right. Response?

24 MR. STEIN: Apple's argument is simply ignoring the
25 most significant difference between Cover Flow on the mobile

1 devices and Cover Flow on Mac OS X. That difference is that a
2 Mac OS X, there actually is a displayed cursor used in
3 connection with Cover Flow. And the basis for Apple's earlier
4 motion was that the displaying a cursor limitation was
5 vitiated, and the basis for the Court's earlier decision was
6 that the displaying a cursor limitation was vitiated.

7 And Apple made a litigation decision to pursue
8 doctrine of equivalents against the mobile devices only
9 because it lacked that limitation. Mirror Worlds had always
10 argued that the cursor is used in connection with the Cover
11 Flow display -- the Cover Flow feature on Mac OS X.

12 The record, Dr. Levy's testimony establishes that he
13 goes through step by step describing how to drag the cursor
14 with the pointer, and there is other evidence of record, too.
15 In fact, there was a video displayed of --

16 THE COURT: What is your response to his testimony
17 though that the black arrow is not the cursor?

18 MR. STEIN: The black arrow is the cursor.

19 THE COURT: Didn't they just have some testimony up
20 where he testified that it was not?

21 MR. STEIN: The testimony he is referring to is that
22 he showed Dr. Levy -- he was moving the black cursor over the
23 top of the document images in the Cover Flow display, and Dr.
24 Levy testified I believe that --

25 THE COURT: Can you put that slide back up? Can you

1 put that slide back up with the testimony that you had of Dr.

2 Levy?

3 (Slide displayed.)

4 THE COURT: Response?

5 MR. STEIN: So he is saying that black cursor -- and
6 what he is not doing there does not demonstrate infringement,
7 that is correct because to demonstrate infringement under the
8 doctrine of equivalents you need to use the black cursor to
9 drag the scroll thumb on the bar beneath it --

10 THE COURT: Now, Counsel, as I recall the testimony,
11 though, I don't remember Dr. Levy saying anything about the
12 black scroll bar at the bottom being the cursor sliding
13 without clicking over the displayed stack. His whole argument
14 was that the center point of the screen was I guess an
15 imaginary cursor; and that when it hits that, that is what
16 satisfies the claim.

17 Now, can you point me -- maybe I am misrecollecting
18 the testimony, but can you point me to any of his testimony
19 that says that the scroll bar at the bottom is the cursor
20 sliding over the stack?

21 MR. STEIN: He has testimony describing step by step
22 using that black cursor, and he is not saying that the scroll
23 thumb or the scroll bar is the cursor. That -- that -- he is
24 saying that the cursor that is being displayed there is the
25 cursor within the claim.

1 THE COURT: By the cursor you are referring to the
2 little black -- that is what we would call a traditional
3 cursor the little black arrow; is that what you are referring
4 to?

5 MR. STEIN: Right. And there is testimony cited in
6 the briefs -- I can pull it out and direct you to it -- where
7 he describes that operation.

8 Now, there is also, as the Court points out and as
9 Mr. Randall, he was saying that there is a fixed cursor in the
10 middle. But there is another cursor that is used in
11 connection with Mac OS X, which is that black cursor. He is
12 not demonstrating infringement in that particular example, but
13 the cursor is there.

14 If you could show Slide 16.

15 So this is a slide image from a demonstration given
16 by Mr. Jobs when he was demonstrating Cover Flow.

17 And if you can go to the next slide where Mr. Jobs
18 is demonstrating Cover Flow.

19 Maybe the lights can come down.

20 (Demonstration video played.)

21 THE STEIN: The other pointer was just from our
22 computer. But Mr. Jobs in that example is using the black
23 cursor displayed on the screen to drag the scroll thumb or the
24 scroll bar which is serving as basically a proxy for the stack
25 above it.

1 (Video replayed.)

2 THE COURT: But you acknowledge that he is not
3 dragging and sliding the cursor over the display stack? He is
4 sliding it over the bar at the bottom?

5 MR. STEIN: If the bar at the bottom is serving as a
6 proxy in this case for the display stack, it is the position
7 on the bar is the same as the position on the stack. Again,
8 if every word was the same in this example as it was in the
9 claim, then we wouldn't be relying on the doctrine of
10 equivalents; but he is sliding without clicking the cursor
11 over this proxy to display a glance view of the document that
12 is being pointed to.

13 So -- and he explained -- the testimony cited in the
14 brief has this explanation of this operation. There would be
15 no reason for that testimony if we were relying on the -- if
16 we want to rely on that particular operation. The very reason
17 why he gave that example during his testimony was because the
18 Mac OS X is different from the mobile devices and actually
19 uses a display cursor in the operation of the Cover Flow
20 display.

21 And notably Dr. Feiner never mentioned the doctrine
22 of equivalents at all at trial. And so I think because to --
23 well, as the jury found, the jury found -- the issue was put
24 to the jury, and the jury saw this operation. They saw --
25 they saw -- or heard Dr. Levy's testimony that the two were --

1 that the operation of Cover Flow and the claim limitation were
2 equivalent. And they made that factual determination. They
3 determined after hearing all of the evidence and looking at
4 these two things visually themselves made the determination
5 that there was equivalents here.

6 So what Apple is trying to do at this time is
7 reweigh the evidence. There is not a vitiation of the claim
8 element as Apple argues. He was linking the testimony for
9 this particular element to this particular operation. You can
10 see as he steps through it that the language is present. And
11 he also stated the principle for doctrine of equivalents that
12 he was applying in this testimony and he went ahead and
13 applied it.

14 And the jury heard all of the testimony and all of
15 the evidence at record including seeing these things in
16 operation for themselves, and concluded that they were
17 equivalent. This is not the kind of thing that is -- that has
18 a lot of underlying, unseen technology that the jury needed to
19 understand. It is a -- it is a user interface element that
20 the jury can look at and make its own determination as to
21 whether or not the operation of these two items are
22 equivalent.

23 THE COURT: Okay. Thank you.

24 MR. STEIN: Well, I also want to make the point that
25 it is our position that Apple has waived the argument with

1 respect to the operating system. Throughout this whole case
2 they have only asserted the doctrine of equivalents against --
3 or moved for noninfringement under the doctrine of equivalents
4 with respect to the mobile devices. They moved earlier in the
5 case for summary judgment of noninfringement under the
6 doctrine of equivalents. They limited that to the mobile
7 devices.

8 They limited their briefing -- when the Court asked
9 for briefing on the issue of the doctrine of equivalents, that
10 briefing was specific -- the Court asked for briefing without
11 limitation on the issue of the doctrine of equivalents. Apple
12 only briefed the issue with respect to the mobile devices.

13 Apple also mentioned that there was a motion in
14 limine that touched on the doctrine of equivalents. And,
15 again, they only mentioned their position that there was no
16 infringement under the doctrine of equivalents for the mobile
17 devices. And the reason is -- I think it is clear is that in
18 the mobile devices there is not a displayed cursor used in the
19 operation of Cover Flow; whereas, in Mac OS X there is a
20 display cursor.

21 THE COURT: All right. Thank you.

22 Response?

23 MR. RANDALL: Thank you, Your Honor. There was some
24 comment about Dr. Levy explaining that procedure and
25 describing that procedure. What Dr. Levy did not do is he

1 never ever said that the black cursor was the cursor that
2 satisfied the claim elements. He never said that. He
3 constantly used and exclusively used this stationary pointer
4 moving stack argument that was rejected by the Court on JMOL.
5 That is what he used. And they can't point to where he said
6 something otherwise.

7 Now, with respect to whether or not the cursor as a
8 matter of law can satisfy the claim elements under the
9 doctrine of equivalents, it simply can't because that cursor,
10 if it touches the scroll bar and moves the scroll bar --
11 neither the scroll bar nor the cursor -- Dr. Levy didn't say
12 either one of them was the cursor to satisfy the claim
13 elements. But neither one of them in looking at it can come
14 close to satisfying these claim elements.

15 It simply doesn't respond -- when the cursor goes
16 across the stack there is no response on the sliding without
17 clicking. It doesn't show a glance view. It doesn't show a
18 glance view when it stops on a document representation. It
19 doesn't even do anything. And the scroll bar never touches
20 the stack either. I think Counsel indicated, well, it is the
21 same thing. It is absolutely not the same thing.

22 If you think about the resolution that is required.
23 If you have -- for instance, if you had a stack of 50
24 documents and you wanted to show a glance view of one, the
25 best thing to do would be to take a pointer and point on

1 that -- rest on that document image and it pops up, right?

2 You have the resolution to do that.

3 In a system with a scroll bar and you are moving it,
4 you could flip several more. You can't get the resolution
5 necessary to pick one exact document image. You have this
6 error factor, if you will. Same error factor if you were
7 watching a CD on a DVD player and you hit fastforward and it
8 scrolled a little faster than you want it to go forward.
9 Same thing here. They are different.

10 But the bottom line is with respect to claim
11 language there are simply substantial differences between what
12 is required by the claim and the operation of the system. It
13 is for the same reason that the Court rejected those
14 arguments --

15 THE COURT: Well, counsel your precision argument,
16 though, about the bar not being as precise as sliding over the
17 stack, if you are sliding over a stack, it could just depend
18 upon how graphically tight the stack is stacked, isn't it, as
19 to how precise it would be?

20 MR. RANDALL: It is. If you have two documents in
21 the stack you would probably get more accuracy than if you
22 have 200. But the point is, what is required by this claim
23 element? And there are a number of requirements that are
24 required, and they all stem from this cursor moving over the
25 stack, the system responding to that. And they simply didn't

1 put on any evidence of that. And there isn't any evidence
2 from which a jury could find those differences are
3 insubstantial.

4 With respect -- and with respect to the cursor, he
5 flat out said, Your Honor, at -- on the 29th, September 29 in
6 the morning at Page 29, Lines 1 through 21 and at Page 26,
7 Line 15 through 27, Line 12 he admitted that the black cursor
8 does not infringe. And while it is one form of cursor, it
9 does not correlate with any action. It simply doesn't. They
10 never put on a theory of doctrine of equivalents infringement
11 regarding the software that wasn't rejected by the Court.

12 Your Honor, with respect to this waiver argument, we
13 moved before trial, we moved in limine to preclude all
14 evidence or argument under the doctrine of equivalents
15 regarding all products. That is at Docket No. 323.

16 Before the verdict, we moved for JMOL under the
17 doctrine of equivalents as to all products. We did that on
18 September 29 at page -- in the afternoon, Page 88. We stated
19 a JMOL of noninfringement under the doctrine of equivalents
20 should be granted for all claims. We went on to state that
21 Mirror Worlds has failed to establish any infringement under
22 the doctrine of equivalents because there is no evidence for a
23 reasonable jury to find the differences between the accused
24 products and Mirror Worlds' patents-in-suit are
25 insubstantial.

1 We went on to cross Levy again on the doctrine of
2 equivalents; that he didn't understand it, he didn't apply it,
3 and he never applied an appropriate standard of reaching his
4 opinions. After the close of evidence on October 1, we
5 renewed our prior JMOL. We requested JMOL of noninfringement
6 of claims that require a user sliding without clicking the
7 cursor or pointer to display glance views. That was at Page
8 17, 22 through 24 and 19, 19 through 13. So we raised this
9 multiple times, Your Honor, and preserved our objection.

10 THE COURT: Okay. Final word.

11 MR. STEIN: With respect to the last statements by
12 Mr. Randall, those are addressed in our briefs. In fact,
13 throughout this case they have asserted noninfringement under
14 the doctrine of equivalents against -- with respect to -- with
15 respect to the mobile devices only, and all that is set out in
16 the briefs.

17 With respect to Mr. Randall's argument that there
18 was no evidence before the jury. Well, we just saw the
19 evidence. We saw Mr. Jobs. We had the explanation of how
20 that operation occurs from Dr. Levy. It was all right there
21 before the jury's eyes. What Apple is asking the Court to do
22 now is to make its own determination.

23 In fact, if the Court looks back at its earlier
24 opinion on the doctrine of equivalents issue, the focus of
25 that is the lack of display of the cursor. And that is just

1 not the case in the Mac OS X system.

2 And with respect to his comment about using the
3 cursor to control the Cover Flow display, Mr. Jobs himself
4 when he was displaying Cover Flow used the scroll bar -- used
5 the cursor to drag the scroll thumb. That is the natural way
6 of operating Cover Flow. So, you know, I think that
7 establishes that even when Apple is using it, it uses that
8 particular methodology of operating Cover Flow.

9 THE COURT: Counsel, what is your response to their
10 argument that Dr. Levy did not do a function, way, result
11 analysis?

12 MR. STEIN: He relied on insubstantial differences.
13 His testimony was that this operation and the operation of
14 Cover Flow and the operation of the patented device were not
15 substantially different. I think that that was the test,
16 which is a perfectly valid test under the law for establishing
17 infringement under the doctrine of equivalents.

18 THE COURT: Okay. Anything further on that?

19 MR. RANDALL: Yeah, just briefly, Your Honor. On
20 Apple's preservation of the JMOL, the Texas Instruments v.
21 Cypress Semiconductor case at 90 F.3d 1558 at 1566, Note 6,
22 Federal Circuit 1996 case, states, and I quote: "An oral
23 pre-verdict motion requesting a directed verdict on the issue
24 of noninfringement was sufficient to support a post-verdict
25 motion concerning the doctrine of equivalents."

1 We actually made numerous times our JMOL motion
2 specifically on doctrine of equivalents and on this point and
3 preserved that point, number one.

4 Number two, the expert Dr. Levy never opined with
5 respect to Mac OS X that the cursor that satisfies these
6 elements was anything other than the stationary pointer with
7 the moving stack. That is what he relied on. That is all the
8 evidence in the record. That was rejected by Your Honor with
9 respect to the mobile products' motion.

10 And, lastly, Your Honor, there was never any
11 testimony by Dr. Levy about insubstantial differences between
12 the operation of Mac OS X and these claim elements.

13 THE COURT: All right. Very well.

14 Let's move on --

15 Final word?

16 MR. STEIN: With your permission there are a couple
17 of points that I would like to make with respect to the direct
18 infringement issue after looking at the Lucent case over the
19 the break.

20 THE COURT: All right.

21 MR. STEIN: The first is that in the Lucent case the
22 Court found that the testimony that -- of the expert, that he
23 and his wife used the patented method was enough to establish
24 infringement by itself. The point being that it is hard to
25 believe that they were the only two people in the country --

1 or the only customers in this case that actually used the
2 patented features. So the threshold is low to establish
3 direct infringement by use.

4 Here we have substantial evidence of direct use,
5 both by Apple and its customers as those surveys
6 demonstrated. Here -- I put up the survey before that showed
7 that. In that particular survey which didn't account for all
8 uses of Spotlight, if you look at the slide, it only accounted
9 for some of the uses of Spotlight. There was a very high
10 percentage of use of actual customers using Spotlight.

11 So, you know, to the extent that Apple is relying on
12 Lucent it actually supports our argument regarding direct
13 infringement.

14 Also, I just want to emphasize the point that this
15 case, with respect to the offer for sale, is unlike any other
16 cases that Apple cites. Here we have a company that is making
17 and selling computers that contain the software that, you
18 know -- that in combination performed the patented methods.
19 That is not like any of the other cases cited by Apple in this
20 case, and it is important to remember that courts when faced
21 with new fact situations as in the district court cases that
22 we have cited in our briefs, have found infringement due to
23 offers for sale of patented methods under particular fact
24 situations.

25 Two other quick points. One, that there was a

1 demonstration of the patented technology at the Mac World
2 2005. It is PX140. And to the -- so Apple's point regarding
3 any demonstration in 2004 isn't really terribly significant
4 due to the fact that it was used in 2005.

5 Let's see -- well, a minor point but there was an
6 issue regarding whether or not PX933 was admitted. It was
7 admitted. We refer the Court to DI411-2.

8 THE COURT: Response?

9 MR. RANDALL: Yes.

10 THE COURT: I think we are going backwards. We are
11 retreating back to ones we have already covered. It is not a
12 good sign, but --

13 MR. RANDALL: First, in the Lucent case the Court
14 stated: We agree with Microsoft that there was little, if
15 any, direct infringement evidence. And they pointed
16 specifically to the expert stating that he performed all steps
17 of the claims many times.

18 When they say that Steve Jobs demonstrated Apple's
19 products at a convention in January of 2005, that is before
20 Mr. Bratic's statement. Mr. Bratic stated there was no proof
21 of infringement prior to June of 2005, number one. He said
22 there was no evidence of that.

23 Number two, there is no evidence in the record that
24 what Mr. Jobs demonstrated on that clip satisfies each and
25 every claim element of any of the method claims. There is no

1 evidence in the record. They haven't supplied any. They
2 haven't directed the Court to any. They just said Jobs just
3 did it.

4 They also say Spotlight -- users have used
5 Spotlight. Using Spotlight alone doesn't infringe the claims.
6 They can't point to it. There are a series of steps all of
7 which have to be performed. For instance, in Claim 13 of the
8 '227, it requires receiving data from other computers. They
9 can't prove that. They can't prove like the court did in
10 Lucent and rely on, this thin, thin read of evidence of direct
11 infringement of some person performing all steps of the
12 claims. They can't prove it. They haven't proved it. There
13 is no evidence in it, and they have no case to rely on it.

14 THE COURT: Let's move on to something new. What is
15 next on your JMOL, Mr. Randall?

16 (Pause in proceedings.)

17 MR. RANDALL: Your Honor, the next issue is Mac OS X
18 does not have a main stream inclusive of every data unit; and,
19 therefore, Apple is entitled to a JMOL of noninfringement as
20 to all claims of the '227 patent, 13 and 22, and Claims 2, 3,
21 and 11 of the '313 patent.

22 Your Honor, you construed a main stream as requiring
23 a stream that is inclusive of every data unit or document
24 received by or generated by the computer system. And it is
25 undisputed from the evidence presented at trial that Mac OS X

1 includes a privacy feature that allows users to exclude any
2 and all data units from the Spotlight Store, which is what
3 they allege main stream was, and maintain those data units in
4 the computer system.

5 Can you put up JH-8.

6 This is the privacy feature that is included in Mac
7 OS X that Mr. Hornkvist testified about at -- on September 30
8 in the morning at Page 31.

9 Can you put up tab -- I'm sorry, CL-7.

10 Now, here is Mirror Worlds' statements to the Patent
11 Office. And they state, "In contrast to other systems, the
12 present invention as recited" -- so they are defining the
13 present invention -- "in the amended claims, does not permit
14 data units to be removed from the main stream and still remain
15 in the computer system, because as recited in the amended
16 claims, a data unit of the computer system must be included in
17 the main stream."

18 So the privacy feature in Mac OS X allows users to
19 remove important information, and there was testimony from
20 multiple sources; Mr. Hornkvist, Mr. Tribble, and Mr. Feiner,
21 on that feature; that it would allow people to take, for
22 instance, confidential information either if you have a shared
23 computer with your kids or you have a shared computer with
24 your colleagues and put information in the privacy feature and
25 exclude that from the system. And it is absolutely clear from

1 the file history that Mirror Worlds disclaimed the scope of
2 that claim.

3 So the evidence is clear that we, Mac OS X, has the
4 built-in feature that allows for the removal of data units
5 from what they consider to be the main stream; and, therefore,
6 we don't satisfy the Court's construction of that element,
7 Your Honor.

8 THE COURT: Response?

9 MR. STEIN: Put up Slide 19.

10 Apple here is basically relying on a disclaimer,
11 prosecution disclaimer argument, which is a claim construction
12 issue, which it has never raised before. This is an issue
13 that should have been addressed during the Markman
14 proceedings. And if it was, we think we would have prevailed
15 on it. But it wasn't addressed at the time because Apple
16 didn't raise it. So the most their argument amounts to is
17 that Apple has a way of turning off a stream, in essence; that
18 as sold, the Apple computers do not have the privacy feature
19 enabled and, therefore, Mac OS X infringes as sold.

20 Now, Apple can't wait until trial -- or after trial to raise
21 a disclaimer argument. There was nothing in the Court's claim
22 construction, in the jury's instructions. I believe
23 disclaimer wasn't even a part of the jury instructions. So
24 there would be no way at this point for the jury to have
25 considered this issue.

1 Moreover, that the requirements for this prosecution
2 disclaimer are very strict and difficult to meet; and that in
3 this case they would not be met if this was an issue that was
4 properly before the Court at this time.

5 The requirements are on the slide, but it requires a
6 clear and unambiguous disavowal of claim scope. And where the
7 specification expressly defines a claim term, which is the
8 case here, and remarks made to distinguish claims from the
9 prior art are broader than necessary to distinguish the prior
10 art, disclaimer doesn't apply.

11 Apple doesn't go through any of that analysis. It
12 just points to one excerpt from the prosecution history, have
13 the Court rule on a new claim construction issue after trial,
14 and we think that is inappropriate.

15 THE COURT: Response?

16 MR. RANDALL: Your Honor, this is not a new claim
17 construction issue. Your claim construction is correct, and
18 we are simply applying the evidence to your claim construction
19 as guided by the prosecution history. The evidence that we
20 presented -- and I think they cite it in their brief, Your
21 Honor, the Enovsys/Nextel case and claim somehow we have
22 waived this. That case involved Sprint, the defendant,
23 presented a new theory of a term's meaning post-trial after
24 the jury had returned a verdict.

25 In this case, Your Honor, we argued from the outset,

1 this issue. We argued at trial and affirmatively offered
2 evidence confirming that Spotlight is not a main stream. It
3 does not include every unit. And we presented testimony from
4 Feiner, from Tribble, from Hornkvist, on the privacy feature
5 indicating that what they considered to be the main stream,
6 Spotlight Store, does not include every data unit. And when
7 he suggests that it is not enabled when it is sent or shipped
8 or sold, is simply not true.

9 The privacy feature is a feature that is always on
10 and always capable of excluding units from the data -- from
11 what they considered to be the main stream, which is Spotlight
12 Store and, therefore, we simply don't infringe.

13 THE COURT: All right. Final word.

14 MR. STEIN: The law is pretty -- very clear on the
15 point that you don't avoid infringement by having a
16 noninfringing mode of operation. The Court ruled that a main
17 stream is a stream that includes each data unit generated by
18 the computer. If there is a mode of operation in which that
19 is not the case, well, that mode, you know, may not infringe.
20 You have to look at it. But here the -- here they are going
21 beyond that.

22 They are saying that not only might -- not only is
23 there this potentially noninfringing mode; that there is --
24 that mode is disclaimed in terms of you can't even provide
25 that operation. You can't even provide that mode without --

1 and still infringe the patent. And that is the disclaimer
2 argument. They never made that argument before. It is
3 something they raised -- first time. They are taking issue
4 with it is not enabled by default. The point is that there
5 are no data units that are excluded under the privacy feature
6 unless a user invokes it.

7 THE COURT: All right. What is next, Mr. Randall?

8 MR. RANDALL: Your Honor, Apple identified and
9 briefed a number of other bases for JMOL of noninfringement.
10 Those are all set forth in our briefs. I know the Court has
11 both limited time and patience for these arguments. We have
12 set those forward. We feel that those provide equal basis,
13 Your Honor, to grant JMOL of noninfringement. I won't go
14 through each of them.

15 They are, however, Mac OS X does not have a
16 time-ordered main stream. Mac OS X does not implement an
17 electronic diary. Mac OS X does not have a stream with a
18 feature portion. It does not include a time stamp to uniquely
19 identify. It does not include source code -- I'm sorry, does
20 not include a receding foreshortened stack, and does not
21 include two operating systems.

22 And, Your Honor, we have briefed that and submitted
23 it. I won't provide oral argument on it, but we do believe
24 those provide an equal basis for JMOL.

25 I will, however, Your Honor, talk briefly about the

1 JMOL of no willful infringement. Your Honor, given the facts
2 of this Case, number one, Mirror Worlds never asserted
3 infringement against Apple until they filed this case. Never.

4 Number two, there are a host of reasons, Your Honor,
5 why the first prong of Seagate is simply not satisfied. And
6 they can't satisfy it as a matter of law. Many of those
7 reasons were not presented and could not, based on your
8 rulings, be presented to the jury. But I will go through a
9 few of them.

10 Your Honor, first of all, Your Honor found a number
11 of the asserted claims indefinite and, therefore, invalid
12 pretrial. The Court found on JMOL no indirect infringement of
13 all claims. The Court found no infringement, either literally
14 or under the doctrine of equivalents of all Apple mobile
15 products.

16 Mirror Worlds, after full discovery in the case,
17 dropped its allegations of infringement on the '999 patent.
18 The Court recognized, I believe, at the close of evidence what
19 a close question infringement -- direct infringement of the
20 '227 and '313 claims were.

21 The only remaining claims on the '427 patent are
22 allegations of doctrine of equivalents arguments that we
23 believe those same arguments were rejected by the Court in the
24 mobile products ruling, and the same basis would apply to the
25 '427 here.

1 In reexam, Your Honor, the asserted claims of the
2 '227 have been finally rejected. There is -- and Apple for
3 its noninfringement positions, Your Honor, utilized in large
4 part the source code to establish noninfringement positions.
5 So its own source code established noninfringement. And if
6 you recall, Dr. Levy and his colleagues spent 90 days, 90 days
7 poring over Apple's source code to try to find some evidence
8 of infringement, and they provided none to the Court. Zero in
9 this trial.

10 Your Honor, we submit under the facts of this case
11 that as a matter of law plaintiffs cannot establish the first
12 prong of Seagate.

13 THE COURT: All right. Response?

14 MR. STEIN: Each of the items that Mr. Randall just
15 mentioned all involve post-litigation defenses. And under the
16 i4i the proper time period for assessing the objective prong
17 under Seagate is the time that infringement occurs and not
18 litigation derived --

19 THE COURT: I'm not familiar with this i4i. Just
20 kidding. Go ahead.

21 MR. STEIN: That rule made sense because otherwise
22 an infringer can find out about a patent, willfully infringe
23 it and if years later comes up with some defenses that pass
24 the straight-face test, they can avoid a willful infringement
25 finding, even though at the time they acted completely

1 unreasonably as a competitor with respect to the patent
2 owner.

3 And in their briefing they often say that they
4 didn't know about the patent. Well, the jury has ruled on
5 that issue. We produced -- presented substantial evidence
6 that Apple, in fact, knew about Mirror Worlds' patents. And
7 the jury in reaching its willful infringement finding
8 determined that Apple did, in fact, know about Mirror Worlds'
9 patents at the time that it started its infringement.

10 Two other points -- I guess, three. One -- I would
11 like to address one with respect to the '999 patent, that
12 those -- that patent -- the one claim in that patent that was
13 dropped was simply for trial. There is no implication that
14 can be derived from that, certainly.

15 With respect to the '227 patent the prosecution of
16 the patent during the reexam is ongoing. There has been no
17 final ruling by the Patent Office on that. And, by the way,
18 with respect to other patents, many of the claims in suit here
19 were confirmed by the Patent Office. All of the reexamination
20 proceedings at this point are ongoing, and were not considered
21 by the jury because of their prejudicial effect and the
22 relevance to this action.

23 But the reexamination proceedings are ongoing.
24 Claims that are at issue here have been allowed. Some stand
25 rejected, but there is still activity going on at the Patent

1 Office, and no final resolution has been reached. I think
2 that's all.

3 THE COURT: Okay. Thank you.

4 What is next?

5 MR. RANDALL: This Court -- do you need any more
6 argument on the JMOL -- I mean the no willfulness?

7 THE COURT: That is up to you.

8 MR. RANDALL: Well, I will just address a couple of
9 points. He indicated that we knew about the patents. The
10 evidence that they presented about communications between the
11 parties Apple and Mirror Worlds occurred before the '427 and
12 '313 were ever even issued. So there is no evidence in the
13 record showing any knowledge or any possible knowledge
14 regarding those two patents. Regarding the '227, there is no
15 evidence in the record that indicated that they specifically
16 identified that patent.

17 The indication that all of this evidence was
18 post-litigation is simply not true. We have always had our
19 Piles system. Gitta Salomon testified about that. Piles has
20 been used to reject some of these claims. The '227 asserted
21 claims were finally rejected by the PTO on reexam. And we
22 also relied on our source code to prove noninfringement.
23 Those are the only points, Your Honor, with respect to a JMOL
24 of no willful infringement.

25 THE COURT: All right.

1 MR. RANDALL: The next issues would be to address a
2 few damage issues that we didn't cover before.

3 Your Honor, the first issue is that Mirror Worlds
4 did not produce and present any evidence on a per-patent
5 damages basis. As the Court recognized previously, their
6 theory all along was that there was one damage number --

7 THE COURT: Haven't we already been over this this
8 morning already, or is this something new?

9 MR. RANDALL: Well, this is directed to the
10 insufficiency of the evidence on that issue; they simply
11 didn't present any.

12 THE COURT: All right.

13 MR. RANDALL: And Mirror Worlds admitted that to the
14 Court in the Docket No. 403 at Page 6 that the jury currently
15 doesn't have sufficient information before it to determine the
16 appropriate damages. They simply didn't apportion any
17 damages. They never claimed that the entire damage figure
18 that they were seeking could be attributed to or supported by
19 infringement of any particular claim, Your Honor.

20 And with respect to that issue, they did not
21 allocate their damages based on infringement. So, for
22 instance, with respect to the '313 and '227 patents they never
23 tailored their damages case to whatever isolated direct
24 infringement claim they were going to make. And they simply,
25 as we have mentioned, they haven't presented any direct

1 infringement; but they didn't tailor those damages to those
2 patents on just the direct infringement that was presented.

3 They also didn't tailor their damages, Your Honor,
4 to eliminate the damages that they originally sought for
5 indirect infringement. So they continue to seek damages for
6 all of the patents, including the method claim patents for
7 sales of just software and for sales of hardware. And they
8 simply -- they never limited those damage requests with
9 respect to those two patents to either the direct infringement
10 that they showed or to eliminate the indirect infringement
11 that the Court eliminated on JMOL.

12 Your Honor, the other point with respect to damages
13 is that they violated the entire market value rule in coming
14 up with their theories. They never adjusted -- they never put
15 on any evidence at all to suggest that purchasers of the
16 hardware and software were driven by the inventions that were
17 asserted in this case. They simply never provided that. And
18 yet when they seek damages, they seek damages over the entire
19 royalty base.

20 And under the Lucent Gateway case, Your Honor, that
21 we cited, they have violated the entire market value rule in
22 doing that by failing to present any evidence that the
23 consumer demand was driven by the inventions for the purchase
24 of both the hardware and software.

25 They claim in their brief that they have satisfied

1 and accommodated that concern by adjusting their royalty
2 rates, and under the Cornell v. HP case at 609 F.Supp.2d 279,
3 Judge Rader indicated that adjusting a royalty rate is not
4 sufficient to address concerns about the entire market value.
5 You have to adjust the royalty base. And in this case they
6 provided no evidence to allow them to use as a royalty base
7 both hardware and software.

8 And if you eliminate, Your Honor, just hardware, for
9 instance, if you eliminate just hardware from their damage
10 calculations, even assuming their calculations were correct --
11 so you assume they have a 625 million verdict, which is
12 roughly cut in half because the mobile products are taken out,
13 to roughly 312 million, if you take out their hardware damages
14 because they didn't satisfy the entire market value rule, they
15 didn't satisfy with it in regard to hardware or software; but
16 if you take out their hardware, it drops their damages -- even
17 assuming all the figures are correct -- to \$22 million.

18 Your Honor, we would move for JMOL on the damages
19 issue because they violated the entire market value rule with
20 respect to both hardware and software.

21 THE COURT: And in your JMOL your position is they
22 are not entitled to any damages; is that correct?

23 MR. RANDALL: Well, Your Honor, we did put on
24 evidence through our expert that the maximum damage award in
25 this case would be capped at five million dollars.

1 THE COURT: All right. Response?

2 MR. RANDALL: And the reason for that is simply
3 this: That both experts, both experts opined that the
4 hypothetical negotiations would take place between two sales,
5 entire sales of the patents; one for \$210,000, one for \$5
6 million. And so between those two periods, both experts said
7 that there would be a hypothetical negotiation that would take
8 place, and Apple would take a license -- not purchase patents,
9 but just take a license. And we believe that if you apply any
10 reason to those two full outright sales of the patents and the
11 hypothetical negotiation occurs in the middle of them, that
12 the damages cannot exceed the \$5 million.

13 THE COURT: All right. Response?

14 MR. DIBERNARDO: Thank you. Apple addresses three
15 points. The method claim issue as it relates to damages, the
16 entire market value rule, and the reliance on prior sales. I
17 will address each of those in order.

18 If could have Slide 24. Thank you.

19 So Apple argues that damages with regard to the
20 method patents, the '227 and the '313 should be limited based
21 on the proof of direct infringement. However, the Federal
22 Circuit has said there is no such rigid rule. In fact, there
23 can be good reasons why a licensee would pay not based on the
24 actual use by a consumer. This comes from the Lucent case.

25 In fact, Lucent goes further -- and I can read a

1 portion from Lucent -- after explaining that there is no rigid
2 requirement that damages be limited to direct infringement,
3 the Fed Circuit goes on to say that a company licensing a
4 patented method often has strong reasons not to tie the
5 royalty amount strictly to usage. Furthermore, with some
6 inventions, say, for example, a method of detecting fires, the
7 value is added simply by having a patented invention available
8 for use. That is at 1334.

9 Certainly, here where there is overwhelming evidence
10 as to the importance of the inventions and the value placed on
11 them both by Apple and by their consumers, there would be
12 reason not to limit damages to the instances of proof of
13 direct infringement by the consumers. These features were
14 available for use, they were, as we argued previously,
15 necessarily used. And damages should not be limited.

16 If we could go to the next slide.

17 In the event Your Honor does believe damages should
18 be limited to exclude those method patents, we are left with
19 the '427 patent; and the damages with regard to the '427
20 patent are not affected by those claims. There are system
21 claims in the '427 and those are infringed. And this is
22 addressed by, as we mentioned earlier, the second hypothetical
23 negotiation explained by Mr. Bratic. And that second
24 hypothetical negotiation resulted in a reasonable royalty of
25 \$748 million which admittedly was later cut in half when the

1 portable devices were taken out of the case. But, again, this
2 damage figure, the 748 is the basis for the damages award for
3 the '427 patent.

4 With regard to the entire market value rule --

5 And this is Slide 18.

6 -- is really somewhat of a red herring. Mirror
7 Worlds did not use the entire market value, and I think
8 somewhat we played into Apple's arguments, but I think our
9 briefing ultimately makes it clear that there was no reliance
10 by Mirror Worlds or Mr. Bratic on the value of the entire
11 computer to increase royalty rates. That just was not the
12 case.

13 The methodology used was to determine the royalty
14 rate attributable to just the patented features. That led to
15 an \$11.36 royalty on just the software; just the patented
16 features and just the software. That same 11.36 was applied
17 to the average price of computers to come up with a royalty
18 rate. That royalty rate reflects that 11.36. It is the
19 functional equivalent of getting that same 11.36 per unit. We
20 are not increasing the amount obtained for sale of the
21 hardware.

22 If we go to the next slide.

23 This type of methodology was specifically sanctioned
24 by the Federal Circuit in Lucent where it acknowledged that
25 you can use the price of the entire commercial embodiment so

1 long as the royalty rate is within an acceptable range. Here
2 Mr. Bratic reduced the royalty rate based on the value of just
3 the patented features. In the first hypothetical negotiation,
4 23 percent was attributed based on a customer survey
5 identifying the importance of Spotlight.

6 The same is true for the subsequent hypothetical
7 negotiations relying on the importance in surveys directed to
8 the other patented features that were infringed.

9 What Apple is essentially asking is for a double
10 reduction. We have already reduced the royalty rate. Now
11 Apple is asking us to reduce the royalty base. That is just
12 not required by the case law.

13 If we go to the next slide.

14 I will go through these two quickly. These are Mr.
15 Bratic's demonstratives used at trial and admitted. The first
16 slide is an excerpt from that customer survey. You can see at
17 the top that Spotlight users relied on Spotlight identified as
18 the most beneficial feature about 60 percent of the time. Mr.
19 Bratic then performed a calculation and created a weighted
20 average based on all of the other features that were
21 identified and came up with a 23 percent weighted average.
22 That 23 percent --

23 If we go to the next slide

24 -- that 23 percent was used in arriving at the
25 royalty rate.

1 In that top box the price of the software upgrade,
2 \$129 was used. 76 percent of the margin was used to identify
3 the profit in that upgrade. And \$98 of profit, and then Mr.
4 Bratic limited the amount of that profit to only 23 percent
5 based on weighted average for the purpose of Spotlight. That
6 resulted in the \$22 and change profit which would be billed to
7 Spotlight that was then split 50/50 between Mirror Worlds and
8 Apple, Mirror Worlds getting 11.36.

9 That same 11.36 was used as the royalty calculation
10 for the computers. That is how Mr. Bratic arrived at the 0.81
11 percent royalty for computers. And that 0.81 percent royalty
12 simply reflects for computers that were below average price,
13 got a little less than 11.36. Computers that were higher than
14 the average price of the computer, it was a little more. But
15 on the average it was the functional equivalent of getting
16 that same 11.36 royalty per unit.

17 If we could go to Slide 15, please.

18 Mr. Randall also addressed the notion of the prior
19 sales of the patents putting a cap on the damage award.

20 Here the jury was justified in not capping the award
21 at the value -- at the amount paid in those transactions
22 because as they were instructed by this Court, they are not to
23 look at sales and transactions between related entities or
24 noncompetitors. You can see on this slide that each of these
25 three sales that Apple cites to were either between entities

1 that were not competitors or were between related entities or
2 involved consideration other than money.

3 For example, in the Yale to Mirror Worlds technology
4 transaction that involved stock, a recognition that there was
5 value to the patents in addition to the money paid. The same
6 thing with regard to the Recognition Interface to Plainfield
7 transaction. There is a 19 percent back-end kicker, again the
8 recognition that the money paid was not the sole value of the
9 patents.

10 With regard to that second transaction, Mirror
11 Worlds Technology to Recognition Interface the Court heard
12 evidence that was a transaction between related entities and
13 that it was a distressed sale. Apple points in their brief
14 that the \$218,000 paid for the patents. But the record is
15 clear that payment was simply to pay off the creditors of
16 Mirror Worlds Technology. It was not a true recognition of
17 the value of those patents.

18 So 234 -- so in sum on that point we think the jury
19 properly relied on that instruction and relied instead on Mr.
20 Bratic's and Mirror Worlds' explanation of a hypothetical
21 negotiation and the reasonable royalty. And, in fact, taking
22 a step back --

23 If we go to Slide 11.

24 -- there is a theme that runs through Apple's
25 papers, and that is, Apple presented uncontroverted evidence

1 that there was a lump sum that should have been granted and
2 they cap it at five million which represents about five hours
3 of infringing sales.

4 But really what Apple did is put all their eggs in
5 one basket. They relied solely on these prior sales and
6 allegedly comparable licenses and Apple presented no evidence
7 of a reasonable royalty rate. They ignored their sales of the
8 products with the patented features and the extent of the use
9 of the patented features. We think the reason for this is
10 clear, they were just distancing themselves from the
11 overwhelming evidence of the importance and the pervasive use
12 of these infringing features.

13 These infringing features were in every product from
14 2005. Every operating system and computer from 2005 resulting
15 in \$32.8 billion. So here Apple presented this lump sum
16 argument and basically gave the jury a choice.

17 If we can go to the next slide.

18 It wasn't uncontroverted evidence. The jury was
19 presented with a choice between Apple's lump sum argument
20 based on these prior sales and Mirror Worlds' discussion of a
21 running royalty based on the hypothetical negotiation and the
22 importance of the features and Apple's extent of use of these
23 features.

24 And what did the jury do? They did what they were
25 told. They were instructed, and Apple agreed to this

1 instruction. There was a discussion on the record actually
2 about modifying this instruction. The jury was instructed
3 that they may award a running royalty, a lump sum, or
4 combination of the two. The evidence was not uncontroverted.
5 The jury made a decision. They weighed the evidence and
6 weighed the credibility and went with the running royalty
7 presented by Mirror Worlds. And Apple's request essentially
8 that the Court reweigh the evidence and reweigh the
9 credibility, is improper.

10 In addition, there is evidence that Apple would have
11 entered into an agreement on something other than a lump sum;
12 on a running royalty. And we cite those agreements here,
13 instances, even though there is not comparable technology,
14 instances where Apple did indeed agree to something other than
15 a lump sum, a running royalty.

16 That actually addresses the points that Mr. Randall
17 raised, but we do have some other points, though, if we can be
18 sure to save some time, it would be appreciated.

19 THE COURT: All right. Go ahead.

20 MR. DIBERNARDO: I discussed the hypothetical
21 negotiation, for example, the 748 million that applied to the
22 '427 patent. And Apple has argued that Mirror Worlds
23 requested 625 million; that the jury didn't acknowledge that
24 the portable devices were taken out of the case. But the
25 answer to that is substantial evidence supports the jury's

1 \$625 million award. That the law and the evidence show that
2 the jury is free and had the justification to award more than
3 the figure presented by Mr. Bratic.

4 If we could go to Slide 16.

5 So awards greater than those requested, have been
6 sustained. Apple mentions in their brief that we have no such
7 case. But here are three examples. For example, in the
8 FUJIFILM case the patentee requested a royalty of 40 cents and
9 no lump sum. But the jury came back with a royalty of two
10 dollars per product plus a \$2.5 million lump sum, and that was
11 upheld. That \$2.5 million lump sum reflects a 27 percent
12 increase over the royalty, and that was affirmed.

13 Actually, Your Honor, we have the underlying
14 decision from the district court in that FUJIFILM case which
15 justifies that 27 percent increase. It was a little unclear
16 from the Federal Circuit decision since they lumped the
17 royalty together with pre-judgment interest. But even taking
18 out that pre-judgment interest, it reflects a 27 percent
19 increase that was affirmed.

20 Shatterproof Glass, the jury awarded a 5 percent
21 royalty on gross sales instead of what was requested, the
22 lesser of 4 percent of net sales.

23 Then finally in the Williams case the jury awarded
24 35 percent as compared to the 25 percent asked for by the
25 plaintiff. So that is the law. The jury can award more than

1 requested. They are not tied to any number requested by
2 either party.

3 If we go to the next slide, 17.

4 We will see that the jury had a sufficient basis to
5 do just that in this case. They had the tools and the
6 evidence. Mr. Bratic took a conservative approach giving
7 Mirror Worlds two haircuts in coming up with his reasonable
8 royalty. He explained that the hotter the deal, the higher
9 the royalty rate. And here there was overwhelming evidence as
10 to how hot a deal this was.

11 Both Apple, its customers, and independent third
12 parties view this patented technology as overwhelmingly
13 important and revolutionary. And when you apply that evidence
14 and look at what the jury awarded, it really isn't that great
15 of an increase, certainly not as great as in some of the other
16 cases we have seen. The jury effectively awarded 1.5 percent
17 on the hardware and 10.10 percent on the software as compared
18 to the .81 percent and the 8.8 percent requested originally by
19 Mr. Bratic.

20 So here the law said the jury can do it, and the
21 jury had the evidence and the tools to justify what they did.
22 Thank you, Your Honor.

23 THE COURT: Response?

24 MR. RANDALL: Briefly, Your Honor. With respect to
25 those last points, I think he was rearguing the interpretation

1 of the jury verdict form. And it was clear from our earlier
2 discussion, that Mr. Carroll, after my objection, made it
3 clear that Mirror Worlds was not seeking to triple or get a
4 duplicate recovery; and that the jury when they came back with
5 the identical lump sum number for all patents, came back with
6 a number that was one-third what they had asked for instead of
7 one-half. They disregarded this slight differentiation in
8 numbers, and certainly those numbers should not be added
9 together now after what Mr. Carroll told the jury, unless, of
10 course, there is just a complete unreliability with respect to
11 what the jury did, in which case I think we are entitled to a
12 new trial.

13 With respect to the other issues that I raised, Your
14 Honor, he never really addressed the entire market value
15 rule. They said that, well, they had a survey about
16 beneficial features. They had no evidence, Mr. Bratic
17 presented no evidence that consumers purchased, for instance,
18 hardware. Consumers purchased hardware because of the
19 patented features. Never presented any evidence. That is
20 number one.

21 Number two it is absolutely clear that when Bratic
22 was trying to come up with a number that Apple would have
23 agreed to at the hypothetical negotiation, he came up with a
24 royalty rate and he applied it to a royalty base. The royalty
25 base that he applied it to was hardware and software. There

1 is no question about that. He can't rewrite the record.

2 So when he applied a royalty rate to hardware and
3 software, it was incumbent upon him to present evidence,
4 sufficient evidence to indicate that purchasers of both the
5 hardware and the software were driven to purchase by the
6 patented features, and they simply didn't do it and,
7 therefore, the entire market value rule is violated.

8 With respect to his discussion about the sales of
9 these patents, there were three sales, evidence of three
10 complete sales; one for 210,000, one for 598. When he said
11 there was stock involved, 500,000 plus 98 in stock and 598,000
12 and then 5 million. Those were complete sales. When he said,
13 well, it wasn't an arm's length transaction one of those
14 deals.

15 Frank Weil, Frank Weil had a fiduciary
16 responsibility to his company; and in discharging that
17 fiduciary responsibility to his company, he got the most that
18 he could get for those patents. And he said he got far more
19 than the value of the IP. That was the 210, \$218,000 deal.

20 So, Your Honor, specifically when you apply the
21 Georgia-Pacific factors and when an expert takes a stand and
22 attempts to figure out what Apple would have agreed to and
23 what Recognition Interface would have agreed to in a
24 hypothetical negotiation, in this case they had sandwiched
25 between that hypothetical negotiation -- we knew it was Apple

1 negotiating and we knew it was Recognition Interface
2 negotiating.

3 After this hypothetical negotiation, Recognition
4 Interface sold all of the patents for \$5 million, and we
5 believe, Your Honor, that the fees -- or the damages should be
6 capped at a maximum of \$5 million.

7 THE COURT: All right. Thank you.

8 Any further response to any of those points?

9 MR. DIBERNARDO: With regard to the no evidence to
10 support the entire market value, there was indeed evidence
11 that these patented features were the most important features
12 in the product. But as I mentioned earlier, we don't need to
13 get to that analysis because the methodology applied by Mr.
14 Bratic was sanctioned by Lucent. It did not use the value of
15 the computer to increase the royalty. It was simply getting
16 the same royalty per unit as for the software.

17 I guess Counsel had also mentioned the Cornell case,
18 and we have distinguished that in the briefs. But there
19 Cornell dealt with -- and he mentioned Judge Rader, but that
20 was actually not a Fed Circuit case and actually is directly
21 contradicted by Lucent and Lucent's statement that you can use
22 the value of the entire computer so long as you adjust the
23 royalty rate.

24 So Cornell was not a Fed Circuit case. In there the
25 plaintiff had offered evidence in direct contradiction to a

1 Daubert motion that had been granted, and the court says
2 basically that expert was trying to mislead the jury in
3 violation of that ruling.

4 And the facts in Cornell are distinguishable. In
5 Cornell the patented feature related to one piece of a
6 computer processor. That processor was used as part of a CPU
7 module, and those CPU modules were combined with more
8 components into what was called CPU bricks. And then a set of
9 CPU bricks were then included in a board, and those boards
10 were included in servers. And it was those servers that were
11 used as the basis, very many steps removed from the patented
12 invention.

13 In that case the plaintiff tried to use -- also
14 tried to use the value of the CPU bricks, but the Court said
15 that was improper because there was no market for CPU bricks.
16 The defendant never sold CPU bricks. In this case Apple sells
17 both the software and the computer.

18 Thank you, Your Honor.

19 THE COURT: Okay. Thank you.

20 All right. Anything further from defendant?

21 MR. RANDALL: Well, Your Honor, the two additional
22 issues for oral argument that I would like to address are
23 inequitable conduct and invalidity. And my estimate would be
24 about 20 minutes or so for inequitable conduct, maybe 25; and
25 about 10 or 15 minutes on invalidity.

1 THE COURT: All right. And what additional matters
2 does plaintiff have other than responding to those two
3 matters?

4 MR. DIBERNARDO: That's it, Your Honor.

5 THE COURT: Well, let me ask you this: Have you
6 gotten their privilege log from -- has defendant received
7 plaintiff's privilege log from Defendant's Exhibit 642 that we
8 were discussing at the beginning of the hearing?

9 (Mr. Solo indicates in the affirmative.)

10 THE COURT: Okay. Have you had a chance to review
11 that yet?

12 MR. RANDALL: No, Your Honor.

13 THE COURT: All right. What we are going to do is
14 take a lunch break until 1:00 o'clock. If you will review
15 that, we will come back and I will hear any matters relating
16 to that if you wish to challenge.

17 Let me ask, are you producing some of the documents
18 to him or are you claiming privilege to the remaining 36
19 pages?

20 MR. SOLO: They were all privilege documents with
21 the exception of the '427 patent, which is the patent --

22 THE COURT: Well, y'all discuss it; and if the
23 defendant wishes to challenge any of the claims of privilege,
24 we will take that up first and then we will proceed to hear
25 argument on the inequitable conduct and on the invalidity.

1 MR. RANDALL: May I ask one thing, whether or not
2 any of these documents other than the seven-page fax were
3 previously identified as privileged on any privilege log, or
4 is this just a new privilege log?

5 MR. SOLO: These would have been previously
6 identified on the privilege log for Cooper & Dunham.

7 THE COURT: I'm sorry I couldn't hear you. Why
8 don't you step --

9 MR. SOLO: They would have previously been
10 identified on the privilege log for the production from the
11 attorney files of Cooper & Dunham. I'm not precisely sure
12 which entries were -- on the privilege log today, but they
13 would have been previously identified.

14 MR. RANDALL: That would certainly help if I could
15 just have -- if the Bate stamp numbers or the entries from the
16 original privilege log could be identified for these 12
17 documents, that would certainly help me.

18 THE COURT: Can you do that, Counsel?

19 MR. SOLO: I will do my best.

20 THE COURT: Do the best to provide that. I note on
21 the copy for in camera review there were no Bate stamp numbers
22 on those other pages. I don't know whether they can be
23 identified or not. Y'all visit about that, and I'll take up
24 any further matters when we come back at 1:00 o'clock. We
25 will be in recess.

1 (Recess was taken.)

2 THE COURT: Please be seated.

3 All right. Mr. Randall, you may proceed.

4 MR. RANDALL: Your Honor, during the break I had a
5 short conversation with Counsel for Mirror Worlds, and I also
6 had the opportunity to read the privilege log that was
7 provided.

8 I understand they are not able to at this time
9 identify the documents on this privilege log by the entries in
10 whatever privilege log was provided by their prosecuting
11 attorneys. But, nonetheless, without that information, I
12 still have some issues just with the descriptions. They
13 don't -- there is no page numbers. There is no indication of
14 if anyone else was cc'd on this -- the last entry, Item No 12
15 has no description other than attorney administrative
16 documents. It is not dated, no indication of who it was from
17 or who it was to. It doesn't mention that it is
18 attorney/client privileged information.

19 The bigger issue with the documents -- I obviously
20 don't have them -- the bigger issue with the documents is they
21 appear to relate at least two of bases for inequitable conduct
22 that we are seeking in this case. One is the statements made
23 to the Patent Office about TR-1070. That statement was made
24 by Milner on March 19, 1998; and Gelernter was added as an
25 inventor February 23, '98. So the time period, at least on

1 these documents that were submitted to the Court, looked like
2 they relate to possibly two of the inequitable conduct bases;
3 one inventorship and, two, TR-1070.

4 Mr. Hatchell -- I can't imagine he was involved with
5 inventorship issues, although he could have been but was more
6 likely involved with issues relating to the public
7 distribution of TR-1070 that could have contradicted the
8 statements made to the PTO; and what the evidence, at least in
9 the case as it stands now, indicates is that Milner when he
10 was questioned about his statements to the PTO, he said I was
11 just trying to give the Patent Office all of the information I
12 had available to me about the public distribution of TR-1070,
13 essentially claiming that he had an innocent state of mind and
14 that he was just a messenger, just delivering what information
15 he had available to him about the public dissemination of
16 TR-1070, giving it to the Patent Office and letting them deal
17 with the issue of whether they wanted to consider TR-1070 or
18 not.

19 I think that once we have identified and made the
20 allegation of inequitable conduct on the basis of that
21 statement to the PTO and the prosecuting attorney says I
22 simply gave all of the information I had available to me to
23 the Patent Office about that issue, I think he has waived
24 privilege on any communications and any information he has
25 about the public distribution of TR-1070.

1 So to the extent that any of these documents relate
2 to whether or not TR-1070 or any other technical reports were
3 distributed or publicly available in some way, then I believe
4 they have waived on that issue. With respect to the
5 inventorship issue -- so that may relate to Items 1, 3, 4, 6,
6 8 and 10 and 11 on this chart.

7 But with respect to inventorship, all of the
8 inventors, both Freeman and Gelernter, testified in response
9 to questions about why changes in the inventorship were made,
10 they all said I relied on advice of counsel. Gelernter said
11 in trial those inventorship issues were made without deceptive
12 intent. He volunteered that. And I believe they have waived
13 on that issue as well.

14 So to the extent that these documents that were
15 provided for in camera review relate either to the public
16 distribution or availability of TR-1070 or relate to decisions
17 one way or the other regarding inventorship, I believe they
18 have waived on those issues.

19 THE COURT: What is your response to the note made
20 at the top of this page that Christopher Hatchell was an
21 employee of Yale and that Yale was the owner of the patents at
22 that time? Are you acknowledging that an attorney/client
23 privilege did exist between him in that capacity but simply
24 that it has been waived? Or are you arguing that no
25 attorney/client privilege exists?

1 MR. RANDALL: Well, I will be honest with you, Your
2 Honor, I don't know the exact relationship. I do know that
3 Mr. Hatchell was a Yale employee at the time. He was working
4 for Yale on behalf of Mr. Gelernter. I also know that as of
5 the date of February 23, Your Honor, February 23, '98, there
6 was an assignment to Yale.

7 So the -- there are certain documents that pre-date
8 the assignment to Yale. Other documents post-date it. The
9 pre-dated documents are the attorney notes, Item No. 2.
10 That -- so the statement at the top of the page is not true or
11 accurate as to that. And then also Item No. 9, those attorney
12 notes. And then I don't know about the undated documents.
13 But they occurred -- at least those two items that are
14 dated -- before the assignment, so there should be no -- so I
15 don't really know whether those attorney notes are related to
16 communications with Chris Hatchell. But if they were, I don't
17 believe they are privileged at that time.

18 With respect to your broader question, Your Honor, I
19 don't have enough information to argue to you that there was
20 no attorney/client privilege other than to say that Mr. Milner
21 when he was deposed testified that he did not represent
22 Hatchell. He did testify about that.

23 THE COURT: Was it from your deposition of him and
24 your investigation, was he representing Yale or representing
25 Gelernter?

1 MR. RANDALL: I don't know that, Your Honor.

2 THE COURT: All right. Response?

3 MR. STEIN: As to the waiver, this issue has already
4 been brought in a motion by Apple. It was considered by the
5 Court and denied. Just because Apple brings a motion for
6 inequitable conduct, doesn't mean that Mirror Worlds has to
7 waive privilege.

8 The comments made during Dr. Gelernter's deposition
9 don't amount to waiver. And he was deposed a year and a half
10 ago, and the first time they moved for on this waiver issue
11 was we believe during trial. And we believe that that issue
12 has been waived.

13 With respect to the -- well, I guess with respect --
14 we don't believe there should be any waiver here, is the
15 bottom line. And we don't believe we should have to waive
16 privilege based on Apple's unfounded allegations.

17 With respect to the other issues he raised that --
18 the Court has the documents. I don't believe that their
19 arguments, once the Court reviews the documents, have merit.
20 I am hesitant to say more in open court for fear of waiving
21 privilege with regard to documents, but I think there is --
22 there is nothing inconsistent in those documents with the
23 position to the Court.

24 MR. RANDALL: I'm just looking at the first item,
25 the description of the first item, which is this DX642. It

1 says fax of draft prosecution document. I know there were --
2 there was two documents attached to that that were copy
3 requests. I know that there was -- the index that was
4 handwritten by Hatchell. I don't know what else. I don't
5 know if that was a draft prosecution document or not. I don't
6 know the subject matter of these. But I do believe that as to
7 those subject matters of inventorship and the public
8 availability or distribution of TR-1070, I believe they have
9 waived.

10 THE COURT: And what is your basis for -- tell me
11 again for the waiver with regard to the 1070?

12 MR. RANDALL: Mr. Milner, their attorney, when we
13 played his tape yesterday, claimed that he -- with respect to
14 his statement to the Patent Office about that TR-1070 was not
15 distributed outside Yale, he said I was just trying to provide
16 the Patent Office with all of the information regarding public
17 availability of TR-1070 and then essentially letting them deal
18 with it. He answered that question, I believe, in response to
19 a question about why wasn't it listed on the IDS statement
20 Form 1449, why wasn't it listed.

21 He said, hey, I disclosed it and I provided all of
22 the information I had available to me about the public
23 distribution of that document and effectively saying I will
24 let them make their decision. But if he is going to claim in
25 response to an allegation of inequitable conduct that he

1 innocently and in good faith provided all of the information
2 he had available to him to the Patent Office, then he ought to
3 produce the documents relating to that subject. You can't
4 selectively disclose that -- I replied to everything and
5 didn't withhold information.

6 THE COURT: Anything further on that issue?

7 MR. STEIN: I think if that amounts to a waiver,
8 then a prosecuting attorney could say virtually nothing during
9 a deposition. He was just stating his basic policy of dealing
10 forthrightly with the Patent Office, and it amounts to nothing
11 more. It is hard to imagine any statement that the
12 prosecuting attorney could have made during this deposition
13 under that theory that wouldn't have amounted to a waiver of
14 something.

15 MR. RANDALL: The record is clear --

16 MR. STEIN: By the way -- sorry, I don't mean to
17 interrupt. But that deposition took place nine months ago or
18 a year ago. Again, they didn't complain about it then, and
19 here they are now trying to reopen discovery filing a motion
20 that if they really had a true complaint about it they should
21 have filed well before the close of discovery.

22 MR. RANDALL: The record is a little further
23 developed than I articulated. Mr. Hatchell in response to
24 questioning basically said I have no idea where those
25 statements that were made to the PTO came from. He disclaimed

1 them. He said that was not his understanding, and he does not
2 understand how they could have been made.

3 THE COURT: Which statements are you referring to
4 specifically?

5 MR. RANDALL: The statements that, to the best of
6 Chris Hatchell's understanding, the index containing the
7 technical reports was maintained in a locked cabinet in a
8 locked office at Yale; and that TR-1070 was not disclosed
9 outside of Yale. And when those precise questions were asked
10 of him, he said, you know, that is not accurate. I don't know
11 where that information came from. He doesn't recall ever
12 saying that to anybody.

13 THE COURT: Okay. I am going to sustain the
14 privilege at this time, but I will allow Counsel to file a
15 very short three- or four-page motion articulating whatever
16 arguments and authority you have, and I will allow a short
17 response. And I will look at this issue further. But for now
18 I am going to keep the privilege.

19 I will point out, though, that to simplify things I
20 think Items 2 -- or, no, excuse me, the ones labeled
21 administrative documents, all those are are file labels. I
22 don't hardly see how those could be considered communications
23 between -- privileged communications with the attorney, but
24 anyway -- go ahead. We will get the motions in. I will look
25 at it.

1 Let's go ahead with whichever one you want to argue
2 first of the two remaining matters.

3 MR. RANDALL: Your Honor, Apple would like to argue
4 its inequitable conduct case. Your Honor, there are three
5 categories of inequitable conduct that we have asserted. One,
6 the false statements to the Patent and Trademark office
7 regarding TR-1070 and the failure to correct those statements;
8 the failure to provide known material prior art references to
9 the Patent Office at the time the applications were filed and
10 during the pendency of the prosecution.

11 THE COURT: Okay. Go ahead.

12 MR. RANDALL: And, three, repeatedly making false
13 statements to the Patent Office regarding inventorship.

14 With respect to the first issue, Your Honor, that
15 the false statements regarding TR-1070 --

16 Can you put up J-4?

17 Your Honor, the statement made to the Patent Office
18 by Mr. Milner on March 19, 1998 in the IDS was this -- this is
19 one of them. This technical report TR-1070 was not
20 distributed outside of the Department of Computer Science at
21 Yale University. He did not list Form 1449 -- list TR-1070 on
22 Form 1449.

23 He said that the only reason he did not believe it
24 was material was because he believed that it was not publicly
25 available more than a year before the critical date; and,

1 however, this board here shows that TR-1070 was authored prior
2 to the critical date of June 8, 1995. It was submitted to
3 Technology Review, and that that shows right on the cover of
4 it. And Hatchell, who he claims to have a number of
5 communications with, ordered ten copies of it on April 18,
6 '95. He ordered another ten copies on 5-15-95. And he
7 testified that he made those copies to distribute.

8 Now, at the time -- at the time that this
9 declaration that was provided March 19, 1998, Your Honor, the
10 applicants were already aware of the fact that their prior
11 work could be used against them to invalidate the patent. The
12 applicants' first office action on the '227 the claims were
13 initially rejected in view of Dr. Gelernter's 1994
14 publication, The Cyber-Road Not Taken. That is at DX4, Page
15 65 and 67.

16 Dr. Feiner, in addition to Mr. Milner's statements
17 that the only reason that he didn't submit it was that he
18 believed it wasn't public, Dr. Feiner testified that TR-1070
19 was among the highly material prior art he considered that
20 invalidates the patents-in-suit. He did that on September 30,
21 2010 in the afternoon at Pages 118, 119, 122, 123, and 126 and
22 127.

23 Now, both Gelernter and Freeman understood that it
24 was submitted to Technology Review for publication. That is
25 at DX414.

1 DX1126 is the Internet Archive, Your Honor, that we
2 went through yesterday. And the Internet Archive shows that
3 on April 17, 1995 and through April 21, 1995, Freeman, the
4 sole inventor at that time, put TR-1070 on the Internet in
5 three formats. He put it in the hypertext worldwide web
6 version, he put it in single-page version, and he put it in
7 this postscript version. That indication is at DX1126, Page
8 118.

9 As I walked the Court through that exhibit, DX1126-E
10 at Page 99 shows that TR-1070, the hypertext version, nodes
11 1-11 that is each page, was last modified on April 17, 1995.
12 And included within that same Exhibit 1126-E at Page 117 it
13 shows that it was translated into the HTML format by Mr.
14 Freeman on April 17, 1995.

15 DX1126-C, which we also went through yesterday, at
16 Page 87 shows that TR-1070 life.ps was posted on the Internet
17 on April 18, 1995. That is the Lifestreams postscript
18 document.

19 Then at DX1126-D it shows the Linda Group Technical
20 Reports are indexed, and it lists six pages of technical
21 reports available electronically, and those are starting at
22 1126 on Page 150.

23 At DX1126 at 123 and 137 it shows that Gelernter's
24 Linda Group began posting technical reports online and set up
25 a page for people to order them from Hatchell in February of

1 1994. You simply can't reconcile, and I certainly can't
2 reconcile Dr. Gelernter's testimony nor the submission to the
3 Patent Office that TR-1070 was not distributed outside Yale,
4 and that statement was made again on March 19, 1998 when a
5 snapshot of the Internet in May of '97 before that date shows
6 widespread evidence to the contrary. It can't be reconciled.

7 Now, Chris Hatchell testified that he had a practice
8 of making copies and distributing copies of TR reports. He
9 testified to that on September 30 in the Afternoon Session at
10 Page 46, Line 6 through Page 47, Line 5 and again at Page 56
11 Lines 5 through 15.

12 On April 18 he made copies of TR-1070. That is at
13 DX42 Page 6. And consistent with his policy after
14 distributing those, on May 15, '95 he made ten more copies of
15 TR-1070.

16 Nancy Silver testified that before the critical date
17 and actually before -- her testimony was before June 5 of '95
18 Nancy Silver had a copy of TR-1070, and she was using it to
19 write a research paper. She said she knew that the date was
20 correct because her father had died, and she had a certain
21 schedule listed. And she was sure that she would have done
22 all of her research before moving on to the next phase. I
23 believe that schedule is at DX937, and her testimony was on
24 September 30 in the Afternoon section -- Session at 62, Line
25 19 through 64, Line 21.

1 Now, on October 25, '95, albeit after the critical
2 date, Hatchell sends -- at least there is a note -- and this
3 is in 642 that was not redacted -- there is a note that
4 indicates that he may have sent TR-1070 to a Mr. Wallace in
5 New York. It just simply says sent, there is a date, 1070,
6 and a name and an address.

7 THE COURT: That would have been after the critical
8 date?

9 MR. RANDALL: That is correct, Your Honor, but
10 nonetheless before the statement made to the PTO.

11 On October 31, 1995 Gelernter cited TR-1070 as a
12 publication in DX931 at Page 7. That is in contrast to his
13 testimony that it wasn't public -- or it wasn't publicly
14 distributed. Let's put it that way. And I went over in May
15 '97 the Internet snapshot.

16 Now, the Yale administrative assistants, Teodosio
17 Pellegrino, and Hatchell, they all testified consistently
18 about certain things. And what they testified consistently
19 about was that the TR's, the technical reports were not
20 confidential, there were no restrictions on the distribution;
21 and if someone asked for a technical report, it would be sent.

22 Now, despite this knowledge, Your Honor, and after
23 the Internet Archive snapshot in May of '97, applicants filed
24 this IDS that TR-1070 was not distributed outside of the
25 Department of Computer Science at Yale.

1 Now, Milner says two things during his testimony.
2 He says on one hand he says I was just providing the Patent
3 Office everything that I had on the publication. Well, I find
4 it hard to believe that he didn't know or ask whether or not
5 all this information was on the Internet, and it was certainly
6 on the Internet in a widespread fashion.

7 But he also testified a little bit later in the
8 deposition. He said that his statement to the Patent Office
9 would still be true even if TR-1070 were public. That is an
10 interesting note. That is what he said. What he is
11 suggesting, I believe, in that testimony is that since he was
12 providing Hatchell's knowledge to the Patent Office, he was
13 providing Hatchell's knowledge, if in fact it was public, his
14 statement would still be true; that because Hatchell perhaps
15 didn't know it was public.

16 Well, that is not discharging his obligation of
17 candor to the Patent Office. If Milner knew that it was
18 public and knew it was on the Internet starting in '95 from
19 one of the applicants Freeman who put it on the Internet, he
20 should have disclosed it and not hidden behind Hatchell's
21 knowledge.

22 But, again, Hatchell testified that he doesn't have
23 any information where that came from. So you have got
24 Hatchell saying it is not limited to Yale. I do make copies
25 of it. I do distribute it. It is not confidential. No one

1 ever told me it was confidential. You have got Freeman
2 putting it on the Internet in '95 in three different formats.
3 You have got a Yale Linda Group website that is latent with
4 Lifestream documents and technical reports directly contrary
5 to Dr. Gelernter's testimony.

6 Would you show J-3.

7 Now, this is a busy chart albeit, Your Honor. Down
8 the left-hand column is testimony. It is the IDS statement to
9 the Patent Office along with testimony by Mr. Gelernter about
10 TR-1070 and the technical reports. Your Honor, can we hand up
11 copies of these because I know it is hard to read?

12 THE COURT: Yes, you may.

13 MR. RANDALL: Thank you, Your Honor.

14 (Documents given to the Court.)

15 MR. RANDALL: So Dr. Gelernter testified -- the
16 second item down. It is absolutely our policy that such
17 technical reports not be publicly available. Next one down --
18 that was at Page 35. It was not for public purposes. It was
19 not disclosed. And then testifies at Page 85, Hatchell was
20 aware of our understanding that these technical reports were
21 not for broadcast distribution, some fixed list, and not for
22 publication distribution. He said there were many
23 conversations about that.

24 At Page 88, it is not to be distributed to the
25 public absolutely. Page 96, not available to the public.

1 Then on 9-27 in the afternoon at Page 88 he says, it was the
2 intention of all of us that these documents not be for public
3 distribution. And we have got the testimony from Chris
4 Hatchell, Julie Teodosio, and Nancy Pellegrino, all of whom
5 testify otherwise.

6 And you have got the conclusive evidence, the
7 Internet Archive, the snapshot in '97 showing that all of this
8 information, loads of technical reports, including TR-1070 was
9 put on the Internet starting right after it was written in
10 April of '95 by the applicant Mr. Freeman. I can't square
11 that.

12 All of the witnesses, all of the documents suggest
13 strongly, clearly, convincingly, conclusively that TR-1070 was
14 publicly available starting in April of '95 and moving
15 forward. And there is loads of evidence to that effect. The
16 only contrary evidence comes from the testimony of Dr.
17 Gelernter and from the applicant's attorney who submitted the
18 false declaration to the Patent Office. And it was never
19 corrected at any time during the prosecution. Never.

20 Now, Mirror Worlds, against the weight of this
21 evidence, Mirror Worlds offered no evidence to rebut this.
22 They didn't offer any testimony from Gelernter, they didn't
23 offer any testimony from Freeman, they didn't offer any
24 testimony from Milner. They have no explanation for this.
25 None.

1 Your Honor, the second grounds for inequitable
2 conduct is the failure to disclose material prior art, and the
3 applicants were aware of numerous material prior art
4 references and didn't disclose them and simply stuck their
5 head in the sand, so to speak, saying whatever I would have
6 had I would have given it to my attorney, and I'm going to
7 wipe my hands clean of it.

8 The problem is that we went through in this case
9 material prior art that the applicants knew about but never
10 disclosed to the Patent Office. So, for instance, the Piles
11 system, Your Honor, and specifically Piles system, the 724
12 patent was never disclosed in the '227 patent. Never.

13 Now, Mirror Worlds pointed out that after the notice
14 of allowance in the '313 patent, that the Piles patent was
15 disclosed in that application, but it was never disclosed in
16 the original application, Your Honor, the '227.

17 And with respect to materiality, you heard the
18 testimony of Gitta Salomon going through all the elements of
19 the Piles system, the testimony of our expert Dr. Feiner, the
20 testimony that all asserted claims of the '227 patent were
21 rejected in reexam in view of Piles.

22 Now, Dr. Freeman -- or Mr. Freeman knew about Piles
23 in January of '96 in the interlibrary loan services discussing
24 the Computer Human Interface 1992 proceedings, wherein the
25 Pile metaphor, which is DX641 was discussed. Also in May of

1 '97 in Freeman's dissertation he cites the Pile metaphor for
2 supporting organization of information by Gitta Salomon and
3 that is at DX789 at Page 160.

4 In a February 1998 fax that confirms the attorney's
5 knowledge of the Apple's Piles article, DX641 at Page 1, now
6 during the pendency at, prior to, or during the prosecution of
7 the '227, the Piles information was never disclosed to the
8 Patent Office.

9 With respect to the Lucas Workspace system, and that
10 was testified by Professor Peter Lucas, it was not disclosed
11 in any of the applications. And Dr. Lucas described in detail
12 the system, and it was applied and opined on by Dr. Feiner.
13 And Dr. Gelernter attended the Computer Human Interface 1996
14 Conference where the Workspace system was discussed. It was
15 also discussed and presented at the Computer Human Interface
16 Conference in 1994. That is at DX511 and DX512, and DX922.

17 MEMOIRS -- and we heard Professor Lansdale testify
18 about the MEMOIRS time-based system. That was not disclosed
19 either. And Dr. Freeman in his dissertation at DX789, Page
20 160, Freeman cites to Lansdale's MEMOIRS system as "A system
21 that is closest in philosophy to Lifestreams." Yet that
22 wasn't disclosed.

23 Now, what was disclosed is DX382. It was a Lansdale
24 article regarding MEMOIRS discussing the overall problem and
25 the concept. It did not describe the system. Professor

1 Lansdale testified specifically about the distinction between
2 the two articles. One was an overall concept discussing the
3 problems. One was a detailed description of the system. The
4 applicants did not disclose the detailed description of the
5 system at DX584 or the other articles at DX588 or DX589.

6 There is also the 1998 fax from Hatchell to the
7 attorney that confirms the attorney's knowledge of Lansdale's
8 work at DX641, Page 1.

9 MIT's Spatial Data Management System, or SDMS
10 system, it was not disclosed in any of the applications. The
11 materiality was discussed by Dr. Feiner. The applicants knew
12 about it. On June 28, 1996 the inventors cited at DX4, Page
13 46 to how do people organize their desks, implications for the
14 design of office information systems by Malone which discusses
15 the SDMS system.

16 They also -- inventors cite at DX4, Page 46 another
17 article which also, the Lansdale article, DX382, which also
18 discusses SDMS. The inventors cited the Wired Magazine
19 article from 1997. It is at DX377 also describing the SDMS
20 system.

21 Lotus Magellan was discussed by Ed Belove here in
22 court, and he described that system. It was not disclosed in
23 any of the allegations either.

24 Dr. Feiner testified about the materiality of it.
25 The applicants knew about it. In March '95 there is an email

1 that compares Lotus notes in detail to Lifestreams as "a
2 system that comes closest as a whole." That is at DX790-1.

3 In April of '95 the TR-1070 document that we have
4 been discussing written by the applicants, it discusses Lotus
5 notes. And in May of '97 Freeman discusses Lotus notes in his
6 dissertation at DX789, Page 159.

7 Again, Your Honor, these are material prior art
8 references known by the applicants. We had witnesses testify
9 about them. We have presented the documents into evidence.
10 And there is no explanation provided by either the applicants
11 or the applicants' attorney about the failure to disclose
12 those material references that were known to the witnesses.

13 The last issue and basis, Your Honor, for
14 inequitable conduct is the false statements to the Patent
15 Office regarding inventorship. Now, misrepresentations
16 regarding inventorship are material, regardless of whether the
17 inventorship was ultimately cured. That is provided by the
18 PerSeptive Biosystems case at 225 F.3d 1315 at 1321, a 2000
19 Federal Circuit decision.

20 Inventorship is per se material because proper
21 inventorship is a requirement for a patent. That is the Eli
22 Lilly case, a Federal Circuit 2004 case at 376 F.3d 1352 at
23 1358 through 1359.

24 Your Honor, there were a number of reasons why the
25 inventors may have made these false statements to the Patent

1 Office. Shortly after -- Gelernter testified that he was
2 involved with the prosecution of the '227 and the decision to
3 file it. Chris Jones said the same thing. And Freeman said
4 the same thing, so those three folks got together, discussed
5 the issue of patenting. Chris Jones testified that he told
6 Gelernter before the patent was filed, before they started the
7 company that there was a policy at Yale about patents, and
8 Gelernter apparently said I'll resolve any issues of claims of
9 ownership about that with respect to Yale.

10 That is what Chris Jones testified to. And
11 Gelernter testified that he was involved in this process.
12 What happened was they decided that the student, Freeman,
13 would be the sole inventor. They would start the company
14 which they started. They started Lifestreams. Then after
15 they started Lifestreams, they filed this patent application.
16 The sole inventor is the student Freeman. And Freeman then
17 immediately assigns the patent to the company owned by Jones,
18 Gelernter, and Freeman.

19 At DX790, Page 5 there is a description of this
20 issue about the Yale debacle because apparently Yale did find
21 out about this. The applicant submitted two false
22 declarations. The first one was the sole inventorship of
23 Freeman concealing Dr. Gelernter's inventorship, even though
24 he was heavily involved with it. And that is at DX4 at Pages
25 56 and 57.

1 The examiner caught this first declaration and
2 rejected all 12 claims. The examiner rejected all claims at
3 DX4, Pages 65 through 68. Then there was an amendment to add
4 Gelernter. And in the second declaration the applicant stated
5 that inventorship correction is necessitated by amendment of
6 the claims. That is at DX4, Pages 371 through 377.

7 However, there was no amendment of the claims that
8 required a change of inventorship. None. So that statement
9 that the inventorship was necessitated by an amendment of
10 claims is false. No one has explained that. Gelernter
11 refused to explain the second declaration. That was on
12 September 27 in the afternoon at Page 144 through 146. He
13 testified, however, in a conclusory manner that it was done
14 without deceptive intent.

15 Milner refused to explain or confirm the
16 truthfulness of that second declaration. That is at Milner
17 deposition, Page 67, Line 6 through 68 through 3. If you
18 recall he said I'm not going to testify about what the error
19 was, I'm not going to testify about whether it was required by
20 an amendment.

21 With respect to the '999 patent, again, the
22 examiners kept the inventorship in the '999 from anyone
23 associated with Yale. And you heard the testimony of Sparago
24 and Prager that they claimed that they were the original, sole
25 joint inventors of the '999 patent and then claimed that,

1 well, we are going to add Gelernter and Freeman. They added
2 Gelernter and Freeman to get around the rejection in the
3 reexam. So in the reexam the claims of the '999 were rejected
4 in light of the '227. And in order to get around the
5 rejection, they simply added Gelernter and Freeman.

6 I think I mentioned "claims." There is only one
7 claim in the '999. I have been corrected.

8 Your Honor, now in terms of this inequitable conduct
9 and in terms of intent, we have cited a pattern of a disregard
10 for the duty of candor with the Patent Office, disregard on
11 the part of the applicants, disregard on the part of the
12 attorney in terms of disclosing known material art, in terms
13 of stating whether or not TR-1070 is publicly available
14 outside of Yale or not, and in deciding who will be inventors.
15 Is it Freeman? Is it Freeman plus Gelernter, Sparago and
16 Prager? They simply don't respect -- and don't satisfy their
17 obligations with respect to their duty of candor to the Patent
18 Office.

19 And, perhaps, any one of these patents doesn't rise
20 to the level of inequitable conduct or doesn't rise to the
21 level of clear and convincing evidence of intent to deceive.
22 But the overall pattern and totality of circumstances
23 certainly do.

24 Your Honor, we would ask that the Court render the
25 asserted patents unenforceable due to inequitable conduct.

1 THE COURT: All right. Thank you.

2 Response?

3 MR. DIAMANTE: Yes, Your Honor. I don't want to be
4 outdone, we actually did some slides.

5 Good afternoon, Your Honor. Before I get into the
6 substance, given the lateness and everybody is a little tired,
7 I'd like to give you just a quick story which kind of bears on
8 the issue. For several years, I've gave some lectures to a
9 bunch of law firms in Kentucky. For some reason I have a lot
10 of friends there. And most of these partners are actually
11 ex-U.S.-Attorneys.

12 So when I was talking once about inequitable conduct
13 and the idea of scienter and fraud, they all got excited about
14 it. And I wanted to tone them down about it. And I knew most
15 of them as friends and they were avid hunters and they spent a
16 lot of time in the woods. And I hear some great stories about
17 what they see in the woods, and some have some very bizarre
18 stories about what they see.

19 We have some strange creatures, they tell me.
20 Actually one person told me he actually saw Big Foot. So I
21 said to them, gentlemen, let me compare inequitable conduct to
22 you sightings of strange creatures. Now, most defendants
23 claim they see inequitable conduct, they have proof of
24 inequitable conduct. When it comes down to it, there is
25 nothing, no evidence.

1 So with that background to delve into -- I'm not
2 trying to make light of the subject because it is a very
3 serious allegation, but the bottom line, Your Honor, you gave
4 these people a tremendous amount of evidence -- patience.
5 You allowed them to put on evidence to show bad faith. There
6 is not a shred of evidence showing there is intent to deceive
7 the Patent Office or willful misrepresentations.

8 The theory starts with the accused. Like any
9 prosecutor the accused --

10 Can we turn to Slide 3.

11 And the three people who are excused are actually
12 very prominent individuals; Dr. Gelernter -- I won't go into
13 him. You have heard all about him. Dr. Freeman, we hear a
14 lot about Dr. Freeman in oral argument, but one thing we don't
15 hear about, Your Honor -- and please make note of this -- is
16 that they never read one shred of deposition testimony of his
17 in this trial.

18 They claim that Dr. Freeman knew about the
19 archive.org and he put it on. They said he knew it was prior
20 art. They didn't put one word of his testimony in this
21 record. And these individuals Messrs. Dr. Gelernter and
22 Freeman they are exceptional scientists -- there is no
23 questions about that -- but they are not experts in patent
24 law. They have talked on and on. Dr. Gelernter testified
25 about that.

1 But it is not contested that this patent, the '227
2 was the first application they both filed. They both believed
3 the application was based primarily on Dr. Freeman's
4 dissertation and they relied on the counsel of Mr. Milner.

5 Who is Mr. Milner? He is another person involved in
6 this conspiracy. He is a partner at Cooper & Dunham, a law
7 firm that has been around for a hundred years. He has been
8 practicing patent law for over 20 years. He has filed
9 hundreds of applications, never accused of inequitable
10 conduct.

11 As a footnote to all that I want to say, in our
12 practice of law very usually we get people to be deposed, put
13 their hands on the Bible and we ask them what happened 15
14 years ago. And if they make any little inconsistency, ten
15 years later we pick up on it, we highlight it, and say, my
16 God, there must be something going on.

17 And a lot of the events that these people will be
18 deposed about happened in 1995 -- 1995. But Apple has picked
19 up some occasionally misstatements or inconsistencies which
20 are not material, and that is what they base their whole case
21 on.

22 There is not a shred of evidence that Mr. Milner
23 willingly misled the Patent Office in any way. What he simply
24 said was that I got my information from Yale, and I put in the
25 application.

1 What is the essence of what they are accusing Mirror
2 Worlds of doing?

3 Slide 4, please.

4 They are saying all these respectable gentlemen got
5 together and decided to lie to the PTO about 1070. But to do
6 so they have to do it through the clear testimony of Dr.
7 Gelernter on this and ignore common sense. Gelernter
8 consistently stated in his deposition and here at trial that
9 he didn't publicly distribute it. Not one word was contrary
10 to that. Mr. Milner said he simply was told by Yale records,
11 by Yale -- I believe he said this -- that 1070 was not
12 publicly distributed. That's all that is about.

13 So what does Apple do in its papers? They do a
14 hatchet job on Hatchell. They turn to Mr. Hatchell -- he is
15 a secretary -- and say, well, Mr. Hatchell must be playing
16 games here because he is misstating the record. What Mr.
17 Hatchell said unequivocally at his trial deposition, he says,
18 I believe -- I know for certainty that 1070 wasn't distributed
19 outside of Yale. How did he know that? It wasn't 15 years of
20 memory. And I can tell you I can't remember what I did two
21 weeks ago. It was based on his log.

22 If you look at his transcript page, which is -- I am
23 getting ahead of myself.

24 Slide 7.

25 He had his log with him. So he could see from his

1 log that it was never checked out. That is why he had such a
2 clear and concise statement to this very important issue. The
3 power of contemporaneous records, you can't -- no matter what
4 type of case you are involved in, contemporaneous records mean
5 everything. Here we have this gentleman looking at his
6 contemporaneous log and saying I know based on this log no one
7 checked it out.

8 So what does Apple do? Like any good conspirist,
9 they look for other things. Wait a second, he is -- the IDS
10 said it was in a locked cabinet. But Hatchell said it was in
11 a locked room. Someone is lying there, right? We have to
12 check this out. First, let me tell you about the index. What
13 is in the index? The index just states the names of people
14 that helped write the report. It doesn't disclose the
15 contents of the report. Just the index.

16 So what do we do because Apple is saying there has
17 got to be a cover-up here, these people with their lawyer,
18 they are working together. We found this nice lady Ms.
19 Teodosio and her riveting testimony was played yesterday, and
20 what did she say?

21 Well, she was the person that sat on the desk where
22 these indexes were kept. She had actual knowledge what
23 happened. She had the key on her person. She said
24 unequivocally that 1070 was kept in a locked cabinet. So the
25 mystery is solved of the index, you would think.

1 What has Apple done today? They have taken --

2 Slide 5.

3 They have taken 14 hours of deposition testimony of
4 Dr. Gelernter. Seven hours of Eric Freeman, not one second
5 has been played in this courtroom. And, obviously, there is a
6 reason, because he doesn't help them in any way. Five hours
7 of Milner. In trial two more hours of Mr. Gelernter. I don't
8 know how many times they asked him about 1070 and
9 inventorship.

10 They flew in Mr. Baecker who had no knowledge of
11 1070. Ms. Silver same. Nice lady. She couldn't remember
12 exactly when she got 1070 because she had no contemporaneous
13 records. She said she could have gotten it later. She had no
14 idea when she really got it. She wasn't certain.

15 And most importantly the jury heard all this. I
16 mean 1070 came out. And they found the patent to be valid.
17 But the best proof that 1070 doesn't exist comes from Apple.
18 Do you know why? After all this, two years of deposition,
19 discovery, hearings, they are still asking, begging for more
20 discovery because they know the evidence doesn't exist.

21 Now, Piles, you hear so much about Piles in this
22 lawsuit. There is no evidence of intent to deceive anyone.
23 Mr. Gelernter testified very clear that he didn't really pay
24 any attention to it. It was cited in a footnote in a paper
25 that he and Mr. Freeman wrote. Mr. Freeman's testimony

1 collaborates with Mr. Gelernter. Mr. Gelernter said, because
2 I read it into the record, and most importantly the jury heard
3 about Piles and still held the patents to be valid.

4 You also heard Mr. Randall state about he said in
5 passing something about the '724 patent was related to the, I
6 guess, Piles. There was no evidence that Gelernter or anyone
7 ever knew about the '724 at the time they filed the
8 application.

9 Now, the other bases I guess of their inequitable
10 conduct conspiracy theory is --

11 Slide 12, please.

12 -- that somehow Mr. Feiner, excuse me, Mr.
13 Gelernter -- Dr. Gelernter, Dr. Freeman got into a locked
14 room, some room with Mr. Milner and said, oh, we are going to
15 defraud Yale today. We are going to get together and file a
16 patent application, keep it in Eric Freeman's name, and then
17 later on we will reap the benefits. It sounds like a good
18 mystery story, but there is no proof for it.

19 Why would Mr. Milner, a distinguished lawyer with a
20 well-known law firm, get involved in something like this? It
21 is ridiculous. There is no support for it. The basic record,
22 the record says clearly that Freeman and Gelernter had no
23 experience filing patent applications. This was their first.
24 Dr. Gelernter was a great scientist. Frankly, not a good
25 businessman. In the past he had great ideas for Linda. He

1 never filed an application. This was his first chance at
2 getting this process. I guess it has been a mixed bag.

3 More importantly, Your Honor, this hiding, this
4 hiding, this stuff right in front of us that just destroys it.
5 The specification application refers directly to Gelernter's
6 article The Cyber-Road Not Taken. It is in the spec. They
7 are talking about Gelernter in the spec. What are they hiding
8 from the Patent Office?

9 More importantly, you don't hear anyone from Yale
10 coming and saying, you know, we were misled. We were angry.
11 Because it didn't occur. What happened is when they found out
12 there was a policy, they contacted Yale to elicit testimony.
13 And Yale said, okay, no problem, we will give your license
14 back.

15 And you heard Dr. Gelernter's testimony, he has a
16 great relationship with Yale. He has regular contact. He
17 said on and on that he was proud of his Lifestreams work. He
18 was so proud of it he told everybody at Yale about it. There
19 was no hiding. And ultimately Yale sold its rights to Mirror
20 Worlds. So this idea, this conspiracy theory is nonsense.

21 Now, I am happy to say what I told you yesterday was
22 right. I mentioned about archive.org. I mentioned that I
23 believe that their website states that you cannot use
24 archive.org to substantiate dates. So I want to read for
25 you -- this is my response to their bench memo. This is from

1 the legal section of Internet -- of archive.org. I will read
2 it into the record. I think I have a slide on this one, too.

3 Slide 19.

4 It is hard to read. I will read it. It says, "Does
5 the Internet Archives affidavit mean that the printout was
6 actually the page posted on the web at the recorded time? It
7 says the Internet Archives affidavit only affirms that the
8 printed document is a true and correct copy of our records.
9 It remains your burden to convince the finder of fact what
10 pages were up. And I will pass this out later, Your Honor.

11 You can't use those pages to show when something was
12 placed on the archive. That is not exactly. That is
13 completely misleading. There is no testimony Mr. Freeman put
14 this on the Internet. It is not there. I know it is not
15 true. That is why his testimony wasn't read into the record.

16 And, moreover, the riveting testimony yesterday from
17 Ms. Teodosio said in '95 when you she was overseeing these
18 reports that there was no web page for this report. Ms.
19 Pellegrino they brought, nice lady; but she was around 1998,
20 three years after the relevant date. Who cares?

21 Let me move again -- I am almost done here, Your
22 Honor. I know it has been a long day. This whole '999
23 business. Like everything, I have a slide.

24 Slide 21, please.

25 You know, I don't know the expression, the pink

1 elephant in the room, the white elephant in the room,
2 something like that. But the expression says it is so obvious
3 what you are missing. The specification says it was a
4 continuation of '227 and '313 and claiming prior art over it.
5 They told that to the Patent Office right off. I am not a
6 patent prosecutor, and I have nothing against them; but once
7 you tell that to the Patent Office in the spec you are telling
8 them there is common inventorship right on its face. So what
9 are we talking about because that wasn't mentioned yesterday?

10 Mr. Sarago was a nice man. He understood that the
11 Invention really was directed toward his ideas of enterprise
12 system, but he had no problem amending the claims because he
13 knew he was borrowing from David's idea of a stream. Where is
14 the bad faith? And most importantly failed to tell you the
15 punch line, which I think is Slide 24. The punch line is the
16 PTO granted the changed inventorship, and it is our Exhibit
17 PX1998.

18 Finally, there is some case law on this, and it is
19 Baxter Intern., which is cited at 149 F.3d, which basically
20 says that -- well, it says right there about the infection of
21 the unenforceability doctrine is only applicable if the
22 infected claim is an antecedent of the claim in question. And
23 that doesn't apply in this case.

24 And, moreover, this application was filed in 2001,
25 five years after this. And I think Counsel said this was also

1 part of the whole conspiracy to defraud -- I'm positive. I
2 know I am pretty tired. I believe he said that. That is
3 impossible. In 1999 Yale sold its rights to Mirror Worlds.
4 How could they be defrauding Yale again? It makes no sense.

5 So at the end of the day, Your Honor, with all due
6 respect, the Court has been more than fair to Apple, shown
7 great patience in this case, and particularly on this issue.
8 There is actually no claim of Big Foot here. A lot of smoke
9 and mirrors. But you cannot ignore what people say. Evidence
10 counts. Legal argument is legal argument. There is no intent
11 to deceive or mislead the PTO in this case.

12 Thank you, Your Honor.

13 THE COURT: All right. Anything further on the
14 inequitable conduct?

15 MR. RANDALL: I will be really brief.

16 THE COURT: All right.

17 MR. RANDALL: Your Honor, Mirror Worlds' Counsel
18 mentioned Mr. Hatchell saying there was nothing in the file;
19 therefore, he knew that TR-1070 wasn't disclosed outside of
20 Yale. He testified at his deposition that was played in court
21 that the reason he said that and the only reason he said that
22 was because when we looked at the TR-1070 folder, it was
23 empty.

24 Now, we don't know where those file contents went
25 to, but I understand from the privilege log of Mr. Milner that

1 there is some 1300 documents on that privilege log. And I
2 don't know whether those materials weren't sent to the
3 prosecuting attorney. The point is, though, with respect to
4 Mr. Hatchell's testimony is he clearly testified, as is
5 provided here on the summary of testimony that was presented
6 at demonstrative J-3, he clearly testified that it wasn't
7 confidential, no one told him it was confidential, and he
8 routinely made copies of the technical reports and sent them
9 out.

10 With respect to Ms. Silver, there was a comment that
11 she wasn't sure about the date. She was absolutely sure about
12 the date. She testified. She made it very clear that her
13 father had died. She had an agenda for preparing her research
14 paper, and she testified that she was certain that she had
15 completed her research, obtained the TR-1070 document before
16 the critical date. In fact, that date that she received it
17 before was June 5, 1995.

18 With respect to Exhibit 1126 that we went through.
19 Exhibit 1126, the Internet Archive, it is correct that you
20 can't tell when a document was originally placed on it. What
21 you can tell is when a snapshot is made of the Internet
22 Archive, you know that as of that date, everything that is on
23 that Internet was on the website.

24 So the Internet Archive was -- a snapshot was made
25 on May of '97 and everything that is in 1126 that has a date

1 of '97, the snapshot was taken at that point, all those
2 documents were there, and that was before Milner submits his
3 declaration or statement to the PTO saying that 1070 is not
4 distributed outside of Yale. But at the time it was, in fact,
5 on the Internet.

6 The other thing you can tell about the Internet
7 Archives is you can tell when documents were last modified.
8 And clearly there are numerous instances showing when Freeman
9 translated documents into the three different formats 1070 and
10 placed them on the Internet.

11 Now, we know he translated them at that date. We
12 know that. We know that -- the last modified dates of the
13 files, which we went through yesterday. So it is clear that
14 those files were on the Internet as of April of '95. And that
15 testimony 1126 Freeman placing TR-1070 in three different
16 formats on the Internet in 1995, the fact that all that
17 information was on the Internet by '97, indicates that the
18 statement that Milner made to the PTO was false, indicates
19 that TR-1070 was publicly available before the critical date,
20 and there is no explanation at all, none, provided for either
21 that information or the testimony from Dr. Gelernter.

22 THE COURT: Okay. Thank you.

23 All right --

24 MR. DIAMANTE: Your Honor, can I just pass up this
25 from the archives?

1 THE COURT: All right.

2 MR. DIAMANTE: Thank you. We call it Plaintiff's
3 Post-verdict Exhibit A.

4 THE COURT: Is there any objection?

5 MR. RANDALL: No, Your Honor.

6 THE COURT: Be admitted.

7 MR. RANDALL: Your Honor, may I address the last
8 issue, I would like to address orally --

9 THE COURT: Yes.

10 MR. RANDALL: -- is invalidity.

11 Your Honor, first, Apple did present clear and
12 convincing evidence of invalidity, but we also preserved our
13 argument that the preponderance of the evidence standard
14 should certainly apply to prior art that was not considered by
15 the Patent Office.

16 THE COURT: And I think maybe the Supreme Court will
17 decide whether that is a good argument or not.

18 MR. RANDALL: I think they will. The other issue on
19 that subject is I am going to point out to the Court that I
20 also believe that not just art that wasn't considered by the
21 Patent Office ought to have the preponderance of the evidence
22 standard applied to it, but more importantly, more worthy is
23 art that was known by the applicants and not disclosed. So
24 apparently it is art known by the applicants, and implicitly
25 that means apparently it is not material for some reason.

1 They shouldn't get the benefit of failing to disclose that.

2 If they failed to disclose it, then they are at
3 least now, there is a clear and convincing evidence standard
4 applied to it. If they disclose it, there is a preponderance
5 of the evidence standard applied to it, and it gives them a
6 slight incentive not to disclose it.

7 In this case what we relied on nearly exclusively is
8 art that wasn't considered by the Patent Office, and much of
9 the art that wasn't considered by the Patent Office was also
10 known by the applicants.

11 A recent case that just came down last week, Your
12 Honor, was Western Union v. MoneyGram came down December 7th,
13 2010 by the Federal Circuit. It is Case No. 210-1080. That
14 restates that obviousness is a question of law based on
15 findings of fact. In that case the Federal Circuit reversed
16 the denial of JMOL on obviousness grounds.

17 Apple believes that while the preponderance of the
18 evidence standard should be applied, even with a clear and
19 convincing evidence standard applied, Apple has satisfied that
20 burden showing invalidity of the patents that were asserted
21 against Apple and specifically, Your Honor, what we would like
22 to show -- we provided Exhibits 8 through 10 in our renewed
23 motion for JMOL showing a summary of the evidence that has
24 been submitted and the application of that to the claims. We
25 also played and provided deposition --

1 Strike that.

2 We provided live testimony from Peter Lucas, Gitta
3 Salomon, Mark Lansdale, Ed Belove, Nancy Silver, all
4 testifying about exactly the prior art that we applied to the
5 claims. And I would like to play, for instance, just two
6 short clips, Your Honor. DX125 (sic), which is the Workscape
7 200 Points of Light video.

8 (Video played - DX135.)

9 This hypercard stack written in 1990 and known
10 as 200 Points of Light, was the first embodiment of the
11 interface concept. Documents, here represented as tiny
12 rectangles off in the distance, can be interactively
13 arranged in free space either by direct manipulation or
14 by using scripted tools.

15 In this demonstration the documents are first
16 sorted in the depth dimension by date with the newest
17 documents moving forward towards the viewer.

18 Next, the documents are sorted in the X
19 dimension by type with, for example, email messages in
20 one column, scanned documents in another, and so on.
21 Other tools can be used to form interactive searches of
22 documents along various dimensions.

23 For instance, this date slider can be used to
24 restrict the field of view to documents which were
25 created within a specified range of dates.

1 These simple techniques form the basis of a
2 powerful and intuitive method of locating and organizing
3 online documents of all types.

4 (End of clip.)

5 MR. RANDALL: Your Honor, Apple presented not just
6 this; the other documents supporting the Workscape system and
7 the testimony of Dr. Peter Lucas to invalidate the claims.
8 And as you can see, those are time-ordered documents that show
9 the visual representation in the same manner as the patents.
10 They create substreams. It is a powerful piece of art that
11 was never disclosed to the Patent Office.

12 Could you play DX291.

13 This is, Your Honor, the Piles system that Gitta
14 Salomon testified about.

15 (Video clip played.)

16 In this first part of the demonstration I will
17 show you how you would basically work with a pile on your
18 desktop. Here is the high-end computing desktop of the
19 future. As you can see, there are a number of piles on
20 it, and there is an annotation over here on the
21 right-hand side.

22 What I want to do first is add this document to
23 the pile in the center, so I am just going to drag it
24 over. The pile highlights, I drop it on top, and it
25 falls into that pile.

1 Now I can browse up and down with my mouse and
2 look at small versions of each of the documents. If I
3 think this is the document that I want to extract from
4 the pile, I can flip through its pages by using the
5 cursor keys.

6 At this point I might recognize, oh, yeah, this
7 is the third page, this is the document I want, click
8 down, and remove it from the pile.

9 (End of clip.)

10 MR. RANDALL: Can you put up CL-16? Your Honor,
11 here is a demonstrative of the timeline of key prior art that
12 we presented. The MIT spatial data management system that
13 allows an individual to use their finger, scroll along the
14 spine of that stack of documents, and rest and then have a
15 glance view appear.

16 The MEMOIRS time-based diary from 1989, Professor
17 Lansdale testified by deposition on that and provided
18 extensive testimony about the application of that prior art to
19 the claims. Ed Belove testified about both Lotus Magellan and
20 On Location regarding their extensive indexing and searching
21 of documents on the system.

22 Gitta Salomon testified about the Apple Piles system
23 and her patents. Peter Lucas testified about the Workscape
24 system in 1994, including his patents. And all of the
25 exhibits are listed below.

1 The Retrospect Archiving applies archiving
2 capability to these combinations as well, Your Honor. And
3 then we have got TR-1070 listed. And well after that we have
4 got the patent that was at issue in this case, the '227 filed.

5 Your Honor, Apple provided clear and convincing
6 evidence of the invalidity of the patents that were asserted
7 against it based on live, credible witnesses testifying with
8 percipient knowledge about their system and their capabilities
9 and also by deposition. We also presented the documents and
10 the videos. And we submitted, Your Honor, on JMOL that the
11 Court ought to declare the patents invalid for both
12 obviousness and anticipation.

13 THE COURT: Okay. Response?

14 MR. STEIN: Apple's invalidity argument was
15 basically premised on an overly broad interpretation of the
16 claims in suit. Its expert admitted that it applied -- that
17 he applied an overly broad construction of the claims in suit,
18 and it fit in with Apple's theme during the trial that it was
19 basically doing whatever was in conventional operating
20 systems, and so it was trying to distance itself from the fact
21 that Spotlight was a revolutionary paradigm shifting
22 technology, which is what they were telling the rest of the
23 world.

24 Here they were just saying they were doing the same
25 old, same old. But before this litigation they were

1 describing Spotlight as something quite different, something
2 new, and something that was really significant in terms of
3 operating systems.

4 The result of their change in view when it came to
5 assessing the invalidity and overly broad construction, is
6 they basically captured things that were known and were not
7 the things that was being claimed in the patent. So in light
8 of the prior art that he was mentioning, there was no main
9 stream disclosed. There was no -- there were no substreams
10 disclosed. Many elements were missing from those -- from that
11 prior art.

12 And here -- the jury heard all of the evidence,
13 heard the witnesses, heard Dr. Feiner testify, and testified
14 that he was applying an overly broad construction of the claim
15 when he was assessing invalidity yet a narrow construction of
16 the claim when he was trying to avoid infringement by Apple's
17 products. And they concluded based on that testimony and all
18 of the evidence presented, that the Mirror Worlds' claims
19 were, in fact, valid over this prior art.

20 So here Apple is just once again asking the Court to
21 substitute its judgment and its weighing of the evidence --
22 and substitute that for what the jury found, and that is
23 improper. Apple failed to carry its burden of proof regarding
24 invalidity by such a wide margin here that actually no matter
25 how the jury was instructed it could not find invalidity based

1 on the evidence presented.

2 In fact, Apple's expert did not step through a
3 single claim of any of the patents and state where that
4 claim -- where that claim language -- where those claim
5 requirements were found in a single piece of prior art. They
6 used these broad categories that didn't capture all of the
7 claim language. It was in a category for persistent
8 substream, for example. There were many other claim
9 limitations and claim language not captured and not discussed
10 at all by Mr. Feiner. So the evidence before the jury was
11 wholly lacking for invalidity.

12 Another important thing is that Apple's invalidity
13 analysis failed to acknowledge at all important substantial
14 secondary considerations of nonobviousness, including the
15 praise for the invention when it came out. There was evidence
16 to that effect. There were documents and testimony, Apple's
17 copying of the technology, and there was substantial testimony
18 of how Apple tracked Dr. Gelernter's work, was monitoring it.
19 There were emails internally circulated to more than 40
20 people. His technology was discussed at the MERLOT offsite
21 conference at which the features of the Spotlight and the
22 first infringing operating system, Tiger, were being decided.

23 And Apple ignores the substantial commercial success
24 that was garnered by Apple through the -- through their
25 infringement of Mirror Worlds' patents. And, again, the jury

1 ruled that Apple infringed, and there is substantial testimony
2 and evidence as to how it was -- these features were perceived
3 by the world as marquee features, revolutionary,
4 groundbreaking, they were all terms being used for these
5 features when they were being introduced. And, you know, it
6 was in sharp contrast to Apple's trial strategy of just saying
7 they were doing the same old stuff.

8 Now, Apple's Counsel showed a couple of videos. For
9 example, the Workspace 200 Points of Light video to show
10 there is no description in there of a main stream or glance
11 views or substreams. The same with the Piles testimony that
12 he referred to. There is no main stream or substream or
13 receding foreshortened stack. And for each case they just
14 used this broad-brush argument. When it comes down to brass
15 tacks, when it comes down to actually comparing the claim
16 language against the prior art, the prior art is found
17 lacking.

18 And Dr. Levy went through the prior art. He
19 identified elements that were missing from the prior art in
20 each case. He presented demonstratives. You can refer to his
21 rebuttal slides -- I believe they are in evidence -- where he
22 stepped through the prior art.

23 I guess I should say one word about their Exhibits 8
24 through 10. I mean, the Court set page limits for the briefs.
25 They put close to 200 pages of these claim charts, which, if

1 reviewed, the Court can see they contain substantial attorney
2 argument in them.

3 THE COURT: I can assure you they all won't be
4 read.

5 MR. STEIN: But at the end of the day looking at
6 that you will see that they rely on attorney argument,
7 evidence that wasn't presented to the jury, and the jury
8 looked at all the evidence, heard the evidence on our side and
9 decided that Apple did not meet its burden.

10 I guess one more thing should be mentioned. When it
11 comes to TR-1070, which is one of the references that Apple
12 included in its motion, Dr. Feiner completely failed to even
13 discuss the contents of TR-1070 and how that particular
14 reference would invalidate -- or supposedly invalidate the
15 claims that have been asserted here.

16 Thank you.

17 THE COURT: Thank you.

18 Any response? And so the record is clear, your
19 briefs will be read but not all of your claim charts will be
20 read.

21 MR. RANDALL: Just the invalidating ones will be
22 helpful, Your Honor.

23 I will be brief. First of all, the last point that
24 was made by Counsel was that somehow there was information
25 provided by Apple in those claim charts that was not presented

1 to the jury. That is not true.

2 Number one, Apple presented the documents, the
3 evidence to the jury, had percipient typically live witnesses
4 testify about their systems, and provide that evidence to the
5 jury.

6 Now, in contrast, Mirror Worlds in their surreply
7 regarding JMOL, all of the evidence that they cite was neither
8 admitted -- it was either not admitted as an exhibit or it was
9 not shown to the jury. And what I have, Your Honor, is a
10 handout that I would like to hand up to the Court and have
11 permission to file, which lists the evidence that evidence --
12 and I say that loosely -- that Mirror Worlds relied upon in
13 opposition to our JMOL that either was not admitted or was not
14 shown to the jury.

15 And as you know, we had to pre-admit a host of
16 exhibits in this case. And there were a lot of exhibits that
17 were pre-admitted. But the direct infringement evidence and
18 all these manuals and all this other information that Mirror
19 Worlds now relies upon for opposing our JMOL, nearly all of it
20 was either not admitted as an exhibit or was never shown to
21 the jury. And that is what I have here is a listing. It is a
22 listing by exhibit number. It is a listing by where it
23 appears in their brief. And it is a description of the
24 exhibit.

25 THE COURT: All right. If you will hand that up,

1 please. Do you want to mark this as an exhibit?

2 MR. RANDALL: Yes, please.

3 (Document given to the Court.)

4 MR. RANDALL: So, please, in evaluating the briefs
5 and the post-trial briefs, I would ask the Court to please
6 take into consideration the fact that nearly all of the
7 evidence relied upon by Mirror Worlds in opposing our JMOL,
8 particularly with respect to noninfringement, was never
9 presented to the jury.

10 Now, with respect to the arguments on --

11 THE COURT: Are you saying -- when you are saying
12 never presented to the jury, do you mean it was not admitted
13 into evidence, or was simply not discussed here in court?

14 MR. RANDALL: Either one. So that listing --

15 THE COURT: Both.

16 MR. RANDALL: -- identifies -- it does identify
17 those exhibits that were not admitted. As to those other
18 exhibits that are listed, they were never shown or discussed
19 to the jury.

20 THE COURT: All right. Any objection to that
21 exhibit?

22 MR. STEIN: Well, I do --

23 THE COURT: I know you disagree with it.

24 MR. STEIN: I do have an objection to it because
25 we -- just glancing at it, and this is the first time I have

1 seen it. There are a number of cites to Mirror Worlds'
2 opposition brief to the JMOL which was filed some time ago.
3 It doesn't seem like this is something that needed to wait
4 until now to bring up, if this was an issue.

5 But my more substantial objection is that there were
6 a handful -- and we will go through that later perhaps of
7 exhibits that were inadvertently cited in this one brief. Not
8 that many. But we have filed a motion to correct that brief.
9 And Apple knows that, and the motion hasn't been granted. But
10 to represent to the Court that we were trying to base our
11 arguments on exhibits that were not admitted --

12 THE COURT: All right. Your objection is
13 sustained. This is not admitted. Counsel, you can -- Counsel
14 you have provide it to Counsel now. You can put it in a
15 post-hearing filing just as part of additional briefing. And
16 then you can have a right to respond to it. Okay?

17 MR. STEIN: Thank you.

18 THE COURT: All right. What else?

19 MR. RANDALL: Your Honor, with respect to the
20 invalidity case, the one issue that was left after the
21 trial -- a number of them were -- but what is the advancement
22 in the art by these patents? How do they advance the art?
23 What we have shown through a number of live witnesses,
24 testimony, and documents is that their system basically put
25 all documents in the system, they time stamped them, they put

1 them all in time order, and then you could search them and
2 archive them.

3 That is exactly what the evidence is that we have
4 put on with respect to invalidity. They also have a visual
5 display, and you have got the MEMOIRS system that time stamps
6 every document, puts all of them in order, allows subsequent
7 streams to be created. You have got glance views supplied by
8 the SDMS system, and you have got a Workscape that also -- he
9 said there are no substreams. We just went through a whole
10 series of substreams with respect to Workscape, and the same
11 thing with the Piles system.

12 What we did is we identified and presented clear and
13 convincing evidence of all of the prior art that pre-dates the
14 inventions and has the same capability.

15 Your Honor, we would ask that the Court grant JMOL
16 of invalidity on all claims.

17 THE COURT: Anything further?

18 MR. STEIN: Well, just one point; that Mr. Randall
19 is apparently again downplaying the significance of Spotlight,
20 Time Machine, and Cover Flow, which were found to infringe the
21 Mirror Worlds patents. Before this case they were touting
22 them as revolutionary features. Now they have been held to
23 embody the patented invention, and now they are claiming they
24 were not an advancement in art. I think that the jury
25 correctly rejected that argument.

1 THE COURT: All right. Anything further?

2 MR. RANDALL: No, Your Honor.

3 THE COURT: Anything further from the plaintiff?

4 MR. DIAMANTE: No, Your Honor.

5 MR. CARROLL: One thing, Your Honor. With the
6 Court's permission, I would like to apologize for being late
7 to court this morning without the Court's permission.

8 THE COURT: Okay. Thank you, Mr. Carroll.

9 All right --

10 MR. STEIN: There was the issue of the exhibits. I
11 don't know if you want to go through that.

12 THE COURT: The issue of what?

13 MR. STEIN: There were exhibits that Apple asked to
14 strike earlier this morning, and that has not been resolved.

15 THE COURT: Right. That is that list of 26, 38,
16 143, 222; is that correct?

17 MR. STEIN: Right.

18 THE COURT: Would you like to respond a minute?

19 MR. STEIN: The following exhibits were, as I
20 explained, exhibits that were inadvertently cited in our
21 opposition to Apple's motion for JMOL. And we have attempted
22 to file a corrected brief that eliminated them, but the
23 following exhibits fall into that category, and we agree they
24 should not be considered. It is 22, 222, 346, 1108, 1168,
25 1983. They identified PX1195. That was a typo. It should

1 have been PX1995.

2 Apple could have mentioned that exhibit was not
3 admitted in connection with the briefing and we could have
4 corrected it during our subsequent brief, but they didn't. So
5 I requested that the correction be made instead of eliminating
6 the evidence. PX1195 should be PX1995.

7 PX38 and 143 Apple raised the issue that they were
8 not admitted in their motion to strike Mr. Bratic's
9 declaration. We responded in our opposition that those
10 exhibits are basically the same as PX43 and PX933,
11 respectively.

12 THE COURT: Same as 43 and what?

13 MR. STEIN: PX933, respectively. That is in our --
14 I think it is in our opposition to their motion to strike.

15 And then the last exhibit is PX1164, which is in
16 Mirror Worlds' surreply to the JMOL motion. That was
17 inadvertent. It is actually the same as DX154, which was
18 admitted.

19 THE COURT: Which what?

20 MR. STEIN: DX154.

21 THE COURT: Which was admitted?

22 MR. STEIN: Yes.

23 THE COURT: All right. So you agree 222, 346, 1108,
24 1168, and 1983 are not.

25 MR. STEIN: Right. It was 22 and I believe it was

1 222.

2 THE COURT: 222; is that right?

3 MR. STEIN: Yes.

4 THE COURT: Those should have not have been cited
5 and are not part of the record. You have given references to
6 38, 143, 1164 and 1195, which you have either renumbered them
7 or said that they are also listed as other exhibit numbers,
8 right?

9 MR. STEIN: Yes.

10 THE COURT: So we will just substitute those numbers
11 for that and go from there. What about PX26? Did I write
12 that down wrong, or was it 22?

13 MR. STEIN: I do see PX26 on my list.

14 THE COURT: I may have written that down. It was
15 the first one.

16 MR. STEIN: I transcribed it incorrectly. Yes, it
17 is PX26 -- the first list should not have been 22 and 222. It
18 should have been 26. Yes, that falls in the first category.

19 THE COURT: So that one is not considered.

20 Okay. Does that clarify everything? Sort of?

21 MR. STEIN: Sort of.

22 MR. RANDALL: Your Honor, the only other thing I
23 have is to hand up the demonstratives that we utilized for the
24 Court's convenience.

25 THE COURT: All right.

1 (Documents given to the Court.)

2 THE COURT: Okay. So with regard to the motion to
3 strike that was made earlier this morning, it is granted as to
4 Exhibits 26, 222, 346, 1108, 1168, and 1983. Strike those
5 references as those exhibits were not admitted into evidence.
6 And in all other respects it is denied.

7 Anything further?

8 MR. STEIN: No, Your Honor.

9 THE COURT: Anything further from the defendant?

10 MR. RANDALL: No, Your Honor.

11 THE COURT: Thank y'all very much for your
12 arguments. We will go to work on this and get you a decision
13 when we can.

14 (End of hearing.)

15

16 C E R T I F I C A T I O N

17

18 I certify that the foregoing is a correct transcript from the
19 record of proceedings in the above-entitled matter.

20

21

22 /s/ Shea Sloan

23 SHEA SLOAN, CSR, RPR
24 OFFICIAL COURT REPORTER
STATE OF TEXAS NO. 3081

25